PASSION:

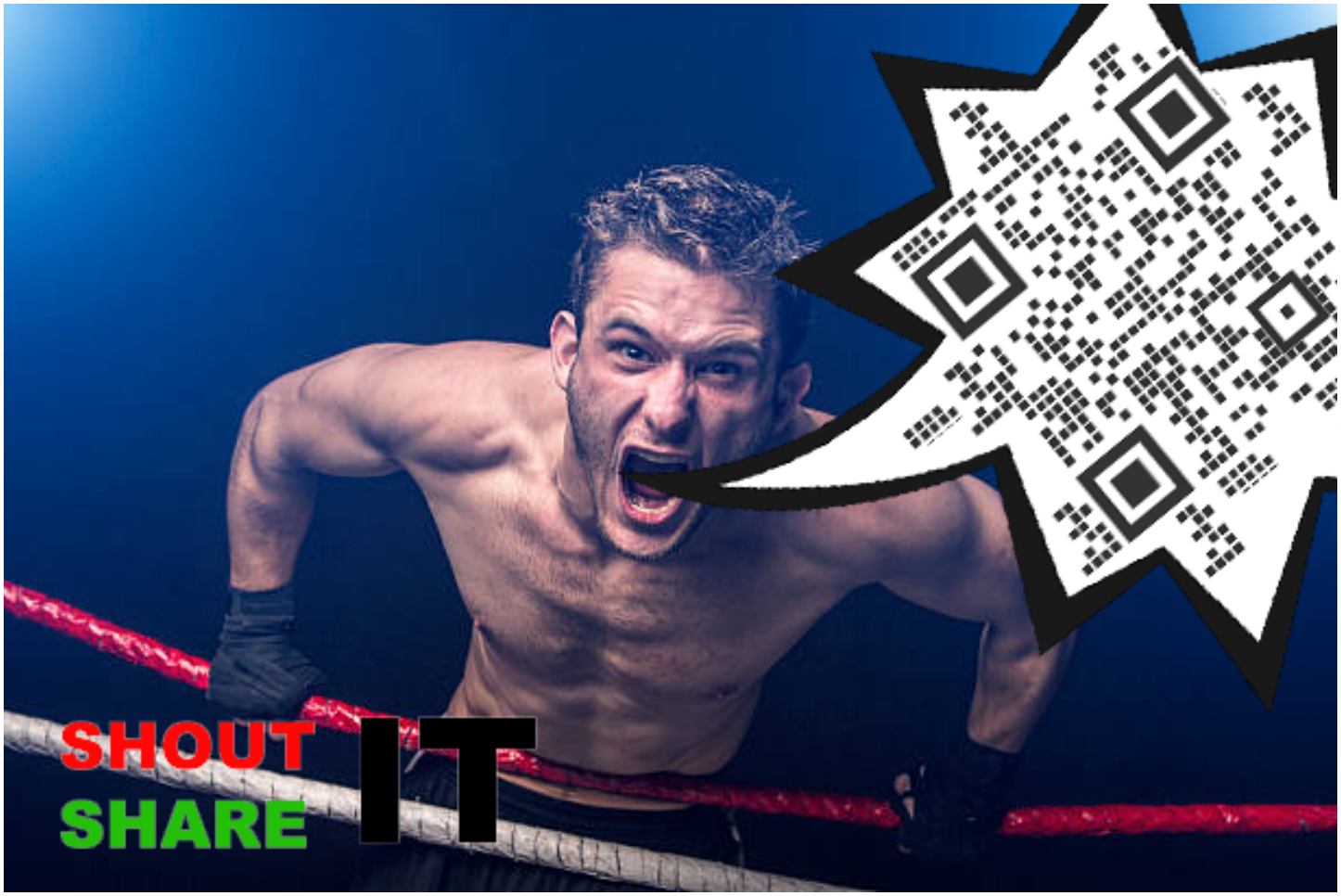
The Untold Story of

LG Electronics India

Dr. Yasho V Verma

biztantra
MANAGEMENT FOR THE FLAT WORLD !

LG
Life's Good


SHOUT
SHARE
IT

ABOUT THE BOOK

A clutch of highly successful Korean corporations have lately captured the imagination of researchers, academicians and businessmen across the globe. This book is the first account in which the reader is taken through an adventurous journey which LG Electronics India (LGEIL) made, successfully replicating in India the Korean parent organisation's world renowned commitment to excellence even after two failed attempts. The LG story is a true tribute to the globalization drive and how the Korean and Indian cultural confluences have achieved a great success story in India.

LGEIL picked up the gauntlet in 1997 and in less than a decade, achieved market dominance in a host of consumer durables, putting to rest all speculation and doubts. In this time frame it has achieved an annual turnover of about US$ 2 billion overcoming all obstacles and blazing a new trail of high performance.

The author, Dr Yasho V. Verma, Director (HR & MS) joined LGEIL during the days of inception and has been with the company ever since. In this book he provides invaluable insights into how the Korean *chaebol* put its act together in India. He takes you through the chaotic days in the beginning and shows by giving abundant examples how LG India came up trumps with an able leadership and spirit of enterprise along with recourse to enlightened HR policies (as a welfare organization) for its over 3,000 employees.

Passion

The Untold Story of

LG Electronics India

Best Wishes
Yasho
16/3/'10

Dr. Yasho V Verma
Director (HR & MS), LG India

biztantra
Innovations in Management
An Imprint of dreamtech PRESS

© Copyright 2007 by Author

This book may not be duplicated in any way without the express written consent of the publisher, except in the form of brief excerpts or quotations for the purpose of review. The information contained herein is for the personal use of the reader and may not be incorporated in any commercial programmes, other books, databases, or any kind of software without written consent of the publisher. Making copies of this book or any portion thereof for any purpose other than your own is a violation of copyright laws.

Limits of Liability/Disclaimer of Warranty

The author and publisher have used their best efforts in preparing this book. The author makes no representation or warranties with respect to the accuracy or completeness of the contents of this book, and specifically disclaim any implied warranties of merchantability or fitness for any particular purpose. There are no warranties which extend beyond the descriptions contained in this paragraph. No warranty may be created or extended by sales representatives or written sales materials. The accuracy and completences of the information provided herein and the opinions stated herein are not guaranteed or warranted to produce any particular results, and the advice and strategies contained herein may not be suitable for every individual. Neither Dreamtech Press nor the author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

Trademarks

All brand names and product names used in this book are trademarks, registered trademarks, or trade names of their respective holders. Dreamtech Press is not associated with any product or vendor mentioned in this book.

Reprint Edition: 2008 : 2009

Printed at : PrintMan (India), Delhi - 110 092

Dedicated to...

I dedicate this book to:

My Father

Whose words continue to guide me in life and
even after his death.

My Mother

Who was the emotional anchor of my life.

She passed away recently on 1st November, 2006,

while I was still working on this book.

Contents

Foreword xiii

Preface xvii

CHAPTERS

1. The Beginning

The Untold Story of a Korean Company's Transition into an Indian Monolith 1

- Synopsis 1
- My First Brush with LG 6
- Of, By and For Indians 7
- Toddling Along on Our First B'day 9
- The Importance of Diwali 10
- We Get Taken for a Royal Ride 13
- More Teething Troubles... 13
- The Cultural Cauldron 14
- We the Team 17
- Benchmarking Against the Best 17
- The "Push" and the "Pull" Strategy 18
- We Were No Control Freaks 20
- Our First, Established Base 20
- Locking Horns with Greater NOIDA's Criminal Elements 21
- A Corporation with a Heart 23
- A Start is Made 24
- Summing Up 26

2. Strategic Foundation

The Learning that ends in B-Schools, begins at LGEIL 27

- Synopsis 27
- Making the Calendar Year LGEIL's Financial Year 30
- Strong and Speedy Execution 32
- A Game Called Cricket 33

- Product Diversity 35
- A New Market Channel for Air Conditioners 36
- With Quality as Our Buzzword 36
- Rural Marketing 37
- Dual Marketing 40
- Marketing Strategy 41

3. Speed in Chaos

In those days, Performance and Quick Execution were the Name of the Game 43

- Synopsis 43
- Hidden Patterns in the Chaos 49
- Making Innovation the Buzzword 50
- Audit and Support 51
- Individuals above Teams 52
- Strong Employee Foundation 53
- A Milestone is Crossed – The Factory Gets Established 54
- Committed to the Region 55

4. The Organisation

Anyone who has read Thomas L. Friedman's The World is Flat, knows that LGEIL's race was always to the top 57

- Synopsis 57
- LG's Logo 60
- Humility – The Top Attribute for Success 62
- 'No Excuse' Management 63
- A No-Frills Company 63
- With Negotiation as the Buzzword 64
- A Hot Shop of Creativity 65
- Internal Competition 67
- Execution 67
- Change Management 68
- Employee-orientation 69
- Our Core Values 69

- Innovation 70
- Blue Ocean Initiative 71
- Transparency and Openness 71
- Striking Partnerships 72
- There is No Substitute to Quality 72
- CPQ (Customer Perception Quality) 73
- Q Museum 73
- ICTS (Indian Customised Testing System) 73
- The Quality Approach 74
- The 360 Degree Product Audit 74
- The R & D Centre 74
- The Pune Factory 75
- Exports 75
- Evolution of LG Brand 75
- The Organisation Culture 76
- High Learning 76
- Employee Trust 76
- Employee's Engagement 77
- Target-setting Exercise 77
- Strong Communication 77
- Speedy Decision-Making 77
- Cross Cultural Management 78

5. The Fountainhead

K R Kim, the CEO of LGEIL is a mirror that reflects light 79

- Synopsis 79
- Understanding the Meaning of Empowerment 85
- A Sense of Ownership 86
- Action-oriented 87
- A Man of Letters 87
- A Non-Partisan Cheer Leader 87
- A Driver of Execution 88
- Up Close and Personal 93

6. Life is not Monochromatic

Culture is like an iceberg. Over 9/10 is invisible. How LGEIL overcame major cultural hiccups at LGEIL 97

- Synopsis 97
- The Cultural Cauldron at LGEIL: Opportunities and Challenges 104
- (Five Cultural Dimensions) 105
  - Power Distance Index (PDI) 105
  - Individualism (IDV) 105
  - Masculanity (MAS) 105
  - Uncertainty Avoidance Index (UAI) 105
  - Long-Term Orientation (LTO) 105
- Understanding the Indo-Korean Similarities and Differences 107
- Tackling "Culture" at LGEIL 109
- Communication Moved Mountains 109
- How Can Communication Barriers be Overcome? 109
- Putting a "Project Culture" in Place 110
- How Can "Project Culture" be Evolved? 110
- Creating Space for Training 110

7. The HR Lab

A Performance-driven Culture that Focuses on Employee Growth Helps LGEIL Make the Grade as a Sought after Employer 113

- Synopsis 113
- Managing Performance 117
- Banking On a Common Strategy 117
- Annexure 7.1 KPI Finalization System 119
- Reviewing Performance 120
- Mind-to-Market Transition 120
- Tear Down Re-engineering 122
- Cracking the Big and the Small Ys 123
- Annexure 7.2 Productivity Trend 124

- Annexure 7.3 Factory 100 PPM 125
- Natural Working Team (NWT): Weaving Perfection into Our Fabric 126
- Waste Control and Resource Management 126
- (Seven measures of Waste Control) 126
  - Overproduction 126
  - Work in Process (WIP) 127
  - Transportation 127
  - Processing Waste 127
  - Motion 127
  - 'Waiting 127
  - Churning Out An Assembly of Defective Products 127
- The Ten Pillars of Factory Innovation 127
- LGEIL's Backbone – The HR System 128
- Annexure 7.4 Leadership Development Model 129
- Getting the Best People on Board 130
- Annexure 7.5 Mentoring 131
- Holding Hands 132
- We are Willing to Pay the Price of Superior Talent 132
- Annexure 7.6 Evaluation & Compensation 133
- Keeping Tabs 134
- Talent Nurturing 134
- Mind-Body Connect 135
- Mind Innovation (MI) & 5S Training 136
- Learning the LGE Way 136
- Leaders Are Made; Not Born 136
- Grooming Leaders of Tommorrow 137
- Annexure 7,7 Leadership Development 138
- Annexure 7.8 360 Degree Appraisal 139
- Annexure 7.9 Succession Planning 140
- High on Emotional Quotient 141
- Melt Ins 141
- Identifying and Rewarding Talent 141
- Branch Ownership 142
- e-Pizza 143

- A Family of Happy Workers 144
- Annexure 7.10 Sample Phase 1 KDI Review 145
- Annexure 7.11 Care for Customer Campaign 147
- Annexure 7.12 Phase I KDI 148
- Family Ambassador Programme 149
- Family Factory Visit 149
- Help Desk 149
- Guardianship 149
- Employee Welfare – Our Core Value 149
- Annexure 7.13 Family Ambassador Program 150
- Annexure 7.14 Line Guardianship 151
- Annexure 7,15 Employee Welfare 152
- What Causes Stress? 153
- Future Challenges 153

8. A New Beginning 155

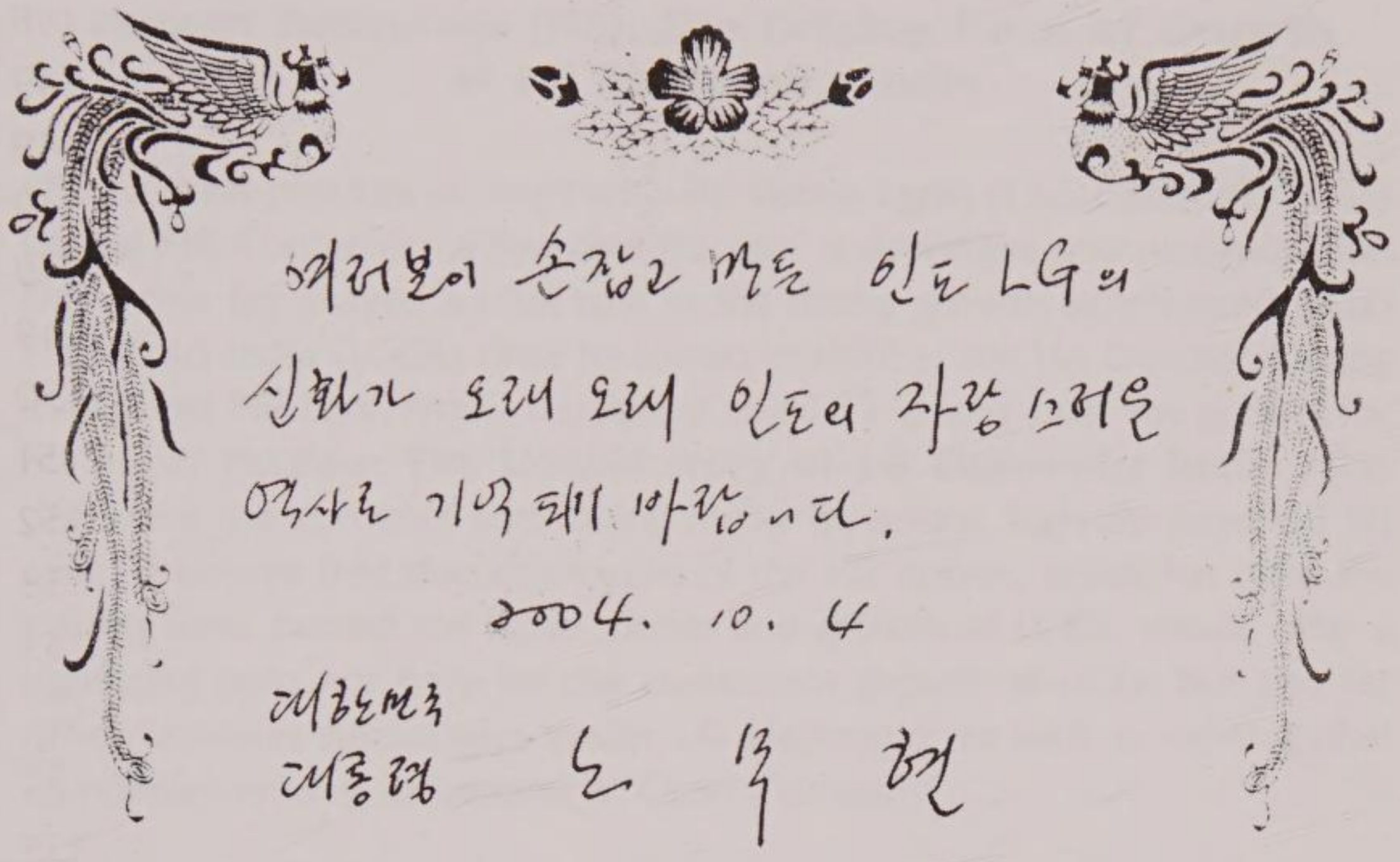
- Synopsis 155

Annexures (linked to Chapter 4) 161

- Annexure 4.1 Landmark Distinctions 163
- Annexure 4.2 Milestones 165
- Annexure 4.3 Sales Infrastructure 166
- Annexure 4.4 Turnover Trend 167
- Annexure 4.5 Colour TVs 168
- Annexure 4.6 Washing Machines 169
- Annexure 4.7 Air Conditioners 171
- Annexure 4.8 Refrigerators 172
- Annexure 4.9 Evolution of LG in India 173

Bibliography 189

President of South Korea blesses LG Electronics India



I hope LG Electronics will be remembered with pride, forever, for its miraculous success story in India.

– His Excellency
Mr ROH Moo-hyun
President, South Korea
in LG Electronics India's
Visitors book in October, 2004

Foreword

Human Resources (HR): The Driving force of Growth at LG Electronics India

I had a great pleasure to meet with Dr. Verma again at LG Electronics (LGE) Global HR Conference a few months ago. I appreciate and recognize that Dr. Verma has played a vital role in the strong growth experienced at LG Electronics India (LGEIL) since he joined in 1997 as the HR Director. During the Global HR conference, Dr. Verma asked if I would write the preface for his book, **Passion: The Untold Story of LG Electronics India.** After discussing the contents and asking many questions, I gladly accepted his offer. I believe that documentation of the HR system, which has been the driving force behind the rapid success and growth of LGEIL, would offer a significant help not only for the continuous growth of LGEIL but also for other overseas subsidiaries under LG Electronics as well as other global companies striving to become a 'Great Company'.

LG Electronics is a global company based in South Korea. As of 2006, LGE has about 130 subsidiaries and branch offices all around the world, and 85 per cent of the company's total revenue comes from outside Korea. LGE has grown rapidly as a global consumer electronics and telecommunications company where 60 per cent of the total workforce is recruited in a local country. LGEIL is one of the fastest growing companies among the 130 overseas subsidiaries. LGEIL has often been benchmarked by other LGE subsidiaries and also credited as a successful localization case by outside institutes such as Korean and Indian business schools.

While LGEIL firmly holds the top market share in the Indian consumer electronics market, it's not the only reason for the high marks that LGEIL scores. Rather, LGEIL receives much attention because of its unique organizational competencies, such as organization management focused on localization and employees' passion for innovation. For example, since its inception in 1995, LGEIL has emphasized on localized management. Among 3,100 employees at LGEIL, only twenty of them are expatriates dispatched from the HQ in Korea. From planning and administration, to marketing and sales, to Research & Development, local Indian employees are actively engaged in all areas of business. With the notion that 'local experts know the market best,' Indian employees have been given full responsibilities

and ownership. While LGEIL's management method is consistent with business administration theory; it is difficult for other institutions to simply mimic their model.

Of course, without complete trust in local employees, this kind of management approach is impossible to implement. Like an Everest climbing team, LGEIL's management, HR Director, and employees have worked together to establish a trust based relationship. Appropriate consideration has always been given to employees, and employees responded with dedication and commitment to the company's success.

At LGEIL, the key to success has been these and other strong efforts by management and the HR Director to create the notion of "LGE India, My Company," amongst all employees. The driving force behind LGEIL's growth has been the ability to create a work place that employees can be proud of. In a location where temperatures are often above 40° celsius, employees still demonstrated passion for and took pride in their work. This source of competitive strength cannot easily be imitated by other institutions.

As the head of Human Resources at LG Electronics, I continually emphasize the following three principles to our management and HR Directors:

First, companies must have a clear strategy, consistent HR systems, and organization management methods in line with top management's business philosophy. Company values and a clearly defined strategy are important for continual growth; however, companies must have consistent systems that help employees execute these business activities. Specifically, consistent HR systems, which are focused on employee's thoughts and actions and which drive company values and the strategic direction, are becoming more important.

Second, more investment and interest needs to be given to the development of those global leaders that will be keystones in the future of the company. Regardless of nationality and location, companies must secure top talent so the right people are in the right places. This provides organizational conditions where employees can realize their full potential and increase the level of global talent management.

Third, HR must become a 'Strategic Business Partner.' For example, in order to change company's strategy, HR can promote cultural changes or

changes in the most important assets, Human Resources. The ability to drive internal employee and organizational change is a fundamental business strategy that defines the face of HR and contributes the most to the companies. Of course, for HR to have this and similar roles, HR must be the first to change. HR must have a role in execution, a creative-strategic role, and must play a role in balancing the short and long-term points of view of a company. When HR professionals successfully demonstrate these roles, they can be true business partners in helping companies achieve their business objectives.

As you read this book, you will understand how the above mentioned three principles have been implemented at LGEIL. Competitive strength does not come from knowledge; it is derived from the implementation of knowledge. This book will show how LGEIL executed and implemented what everyone already knew in a real life situation.

Inside LG Electronics we have the expression "No one can stay #1 forever." This book by Dr. Verma is not about LG Electronics India resting on its laurels, but rather will serve as the foundation for increased growth through continuous innovation. I look forward with great interest to future colossal growth from LG Electronics India.

Nov. 2006

Y. K. Kim
Chief Human Resources Officer
LG Electronics, Seoul, South Korea

PREFACE

A book, like an idea is not created; it's conceived.

Some of us may choose to continue to live in the fool's paradise and believe that we are the super creators, but we forget that at the germ of that creation lies an idea, that was implanted by an external force. The person in whom this idea is planted, if he's a creator, will just pick up the cue—it's almost like a soft knock on the door—and immediately respond to it, otherwise it will fade away like a zephyr caress or a wasted opportunity.

I am glad, I could respond to that soft knock on my door, pick up the gauntlet and accept the challenge of penning this book; when the idea was thrown at me, very casually by not one, but, several external agencies.

The chief among them were the many industrialists, CEOs and academicians I met with, who had just one, big poser for me: What's the secret behind LGEIL's phenomenal success in India?

I had no straight answer to that, then or now. There are several factors and a combination of factors that have contributed to LGEIL's success, among them great timing, great vision, great products, the stewardship of a great leader and great employees, all of whom converged at some point in time to give form to an entity called LGEIL, so what 'quick-fix" answer could I give them?

It's embedded somewhere in this book. I invite these industrialists and CEOs to plunge into it like expert divers and seek the answer that best aligns with their quest.

My second source of inspiration for this book was a *Fortune* magazine article on LGEIL (*How South Korea Conquered India, April 19, 2004)* that for the first time made me realise how the fledgling company is viewed by the world outside. It also made me realise the worth of the goldmine of information that I was sitting on. People saw a miracle unfolding in LGEIL, but how or what was causing it; they had no clue. I thought, I might be able to provide some of those missing clues.

My third source of inspiration comes from the students of B-schools, where I have been invited to lecture in the past. Every time I visited them, the quest was the same: How did LGEIL change the way business in white

goods sector was traditionally conducted in India? I hope, I've finally managed to answer this query in my book.

In this list, I mustn't also forget the CEO of a major company, who once happened to remark : "Your company doesn't just keep its employees on their toes; it also keeps our employees on their toes." Could there be a better compliment than that for an organisation? He then went on to dub LGEIL as the "Mover and Shaker" of the industry.

Last but not the least, the scribes in India were also big motivators in this project. Over the years, their coverage of LGEIL has at times been so half-baked, uni-dimensional and ill-informed—owing perhaps to time and space constraints—that I thought it was time I put the record straight.

The media coverage of LGEIL has so far been so generic, losing perspective of some of the micro-issues plaguing the industry, that I felt compelled to present truth as it were, from the inside. Not many in India, for instance would know that the India operations of LG are one of the most profitable in the world!

I therefore took upon myself the onerous task of recounting all the passion and madness—with a direction and purpose—that we were witness to. It's a tribute to their resilience, how our employees at LGEIL have been accepting and delivering on unexpected challenges in order to survive a tough business climate. Since, I got associated with LGEIL from day one – My Card No. is 1. As an insider, I have the privileged, in-depth view, although after lot of soul searching, I decided finally to take the helicopter approach and narrate the story in a non-partisan manner, accepting the conventional role of a *sutradhar*, or an external story teller.

Over the following 200-odd pages, I have tried to narrate this story – nay, building blocks of several intricate sub-stories – the way, I think readers will understand and connect with it.

The process, I must confess has been fulfilling and rewarding. Just following one train of thoughts on a particular project has helped clear some cobwebs in my head as well. It helped me make many latent discoveries. At times, it felt as if I was standing a step away from my own body and watching it perform its numerous chores. It's an eerie, uncanny feeling, but also an introspective, cathartic and self-actualising experience. It's provided me with a wealth of learning and converted me mentally from an HR Manager to a Business Manager.

In sum, I would like to state that this is not the end but the beginning of LGEIL's journey into future excellence. The business scenario all over the globe is turning tougher. At the end of the day only the best and the toughest will be able to survive some of the challenges that they are facing. Those will be the ones who would constantly go on raising the bar.

It may initially be very chaotic scene, as it was for us, but the chaos will gradually pave way for change; and change will eventually lead to new creation.

When a seed falls to the ground and starts germinating into a tree, a little of the unrelenting ground cracks. A fool is likely to conclude that it's a sign of destruction. But the wise know better. They know that destruction is the first sign of creation. Without destruction, there can be no creation.

So in the words of Mr. K.R. Kim, our President & CEO, let's just vow to kill a bit of ourselves every day, for a better tomorrow!

Yasho V. Verma

Acknowledgements

I am grateful to the following people for making this book happen:

1. Mr. Moon Bum Shin, our Dy. Managing Director to encourage me to write this book.
2. Mr. Ho Seop Kang for designing and layout of this book.
3. Mr. Ashok Kumar, GM (HR), LGEIL for very patiently offering to become my sounding board. Some of the ideas and incidents that have gone into this book got consolidated only after getting bounced off him.
4. Mr. Ashish Agarwal, Head (Corp Planning), Mr. Ajay Bajaj, BGH (Air Conditioner), Mr. Anil Arora, BGH (Refrigerator), Mr. Ketan Girap, Mr. Jatin Madan, Manager (Exports), Sanjay Arora VP (Mfg) & Mr. Vipin Gupta, PMH (CE) for providing all the valuable information, statistics and figures that form the "meat" of this book.
5. Mr. K.M. Shashidharan, Head (Admin) for helping me in various jobs and Mr. Deepak R Patnaik, for typing my illegible hand-written notes at high speed.
6. Prof. Neeran Gautam, my friend, for encouraging me to write this book.
7. And above all, Sandhya, my wife for 24 years, for patiently going through the numerous semi-edited versions of this manuscript and giving incisive insights and giving me moral support for writing the book.

Yasho V. Verma

1

The Beginning

THE UNTOLD STORY OF A KOREAN COMPANY'S TRANSITION INTO AN INDIAN MONOLITH

SYNOPSIS

- *The LG Electronics India story begins with the author being appointed as VP (HR & MS), its first Indian employee.*
- *The train of events begins from there. Greater NOIDA factory is set up in a record time of nine months while branch offices are set up with an alacrity to ride on potential spurt in sales around Diwali, India's festival of lights falling every year between October and November.*
- *Benchmarking is done against the best performance parameters to gauge the level of success achieved by the employees.*
- *The author recounts how the management has to see through the initial hiccups when the local land mafia and criminal elements try to arm-twist the management at the Greater NOIDA plant.*
- *A visionary move is made to bring together Indian and Korean teams through organizing trekking in Nepal.*

1. The Beginning

THE UNTOLD STORY OF A KOREAN COMPANY'S TRANSITION INTO AN INDIAN MONOLITH

It all started as a BIG dream in a SMALL town of the north Indian state of Uttar Pradesh — a township by the name of Greater NOIDA.

Master of the Game

LGEIL has competition yet it has managed to become one of the most admired companies in India through innovation.

(The Economic Times, 12 January, 2001)

Back in 1997, it was just a piece of wilderness. Nobody, least of all the owners of a Fortune 500 company would have dared to choose it as a canvas to script a transnational corporation's success story in India, but, then, LG, if you go into the history of this Seoul-based company that has footprints in nearly all parts of the globe, is a different kind of an entity altogether.

My story of Lucky Gold Star's evolution into LG Electronics India (LGEIL) is a story of a lucky star's meteoric, unprecedented rise on the Indian horizon. It's the stuff business legends are made of — an account of a small seed's growth into a giant, oak tree.

Indeed, it's such an extraordinary tale that it can't be told over coffee after a hearty business meal. It needs to be chewed and savoured like premium cigar in the form of a full-length book that carries in its genesis,

The Next Industrial Giant

Among villages with thatch-roofed huts and dirt roads on the outskirts of this city in central India, John Deere and LG Electronics have recently built modern factories turning out tractors and color television sets for sale in India and for export to the United States.

(The Next Industrial Giant Is ... India? The New York Times, August 31, 2006)

the minutest, authentic and unforgotten detail of all the elaborate strategies of survival that a quintessentially Korean Company took in order to survive and counter the then hostile business climate prevailing in India. It's also a story of the many unconventional, far-reaching measures that LGEIL's visionary leaders took, in order to come up trumps as a white and brown goods major, not just over a heap of other transnational corporations but also the numerous Indian entities that have failed to match the scorching breadth or pace of growth set in India by LG Electronics.

Growing and How

LGEIL is the youngest and fastest growing consumer durable brand. LG at the no. 1 slot is targeted to end the year with a turnover of US$ 1.5 billion. After China, LG plans to make India its second largest manufacturing hub.

(LG No.1, Business India, Cover Story, July 5-18, 2004)

Today, LGEIL is a US$ 1456 million behemoth, with a sprawling product range, and market leadership in nearly all product categories. The Indian operations of LG Electronics in fact rank among the best three in LG Electronics world-wide.

There are quite a few lessons for management graduates and budding entrepreneurs in this story that to farm them out, merely as a case study for an Indian B-school would not have done justice to a story, which is so full of drama and suspense, it could make a fitting plot for a feature film. It also makes the task of encapsulating it in 200-page book all the more challenging and onerous.

Having said that, my ten years long association with LG Electronics has been so rewarding and such a huge learning experience for me that not to have accepted the challenge of writing this book would have been a disservice to the organisation, whose corporate values I have come to love and respect so much.

With this spirit of mixed awe and pride I shall tell my tale, of the various smart and not-so-smart moves that LG Electronics (LGEIL) made to chart a different, hither-to untried course in corporate India.

Some moves, may be adjudged as brilliant — for who but a visionary that K R Kim, the President & CEO of LGEIL, would have realised that the best way to slip under the Indians' skin and from there leap straight into their hearts was through the game of cricket.

Or, who but, LG's R& D team would have come up with a simple product improvisation that cut space in the deep freezer to create more in

the vegetable compartment in order to match the needs of predominantly vegetarian consumers of the peninsula. In the end, it was simple design innovation but it met a non-articulated need and cut so much ice, competitors followed suit with similar R&D intervention.

The result of all these moves is that LGEIL is today more Indian than any Indian company, a statement backed by the simple fact that we at present have just 23 Korean executives on board (in 1997, the number was seven). The rest are Indians, including myself and I was the first to jump on the bandwagon in 1997. How that happened is another interesting tale, one that I will come to later, after I am done with recounting the story of how LGEIL set base in India.

To be sure, LIFE was not always this GOOD for LGEIL. The mud trail that led us to Plot No. 51, Udyog Vihar, Surajpur Kasna Road in Greater NOIDA was strewn with massive potholes and road blocks.

Before 1997, LG had made two concerted attempts at penetrating the Indian market. Unfortunately, both met with miserable failure. The first was in the form of a Joint Venture with Bestavision and second a JV with a Birla Group Company. For several unaccountable reasons, both the attempts came to a naught and talks petered off as quickly as they had started.

Then came a vital policy shift. The Government of India liberalised its economic policy and allowed transnational corporations to set up shop in India. One of the first to respond to this invitation was LG-Korea, a corporation that straight took the dive and this time made the strategic decision of setting-up a 100 per cent subsidiary of the Korean Company in India. This time, it did not need the support of any partners.

In March, 1997, K R Kim who was then serving in Panama was called to India to spearhead the Indian operations. However no sooner was the announcement made that the business magazines and newspapers in India started to write us off predicting a bleak future for the company. Some went so far as to forecast our premature demise mainly because of our earlier, failed attempts at breaching the Indian turf. A few industry watchers also felt that our timing was bad, as the consumer durable market in India was already saturated with indigenous and global players, leaving no room for another entity; worst a foreign one at that!

It's another matter that in time all these doomsday predictors got turned on their head.

My First Brush With LG

On 8th March' 97, I received a call from LGEIL informing me that SH Hahm, the then Senior Vice President (Sales & Marketing) wanted to discuss a position, presumably that of the HR head. I was then working with Jindal Organisation and, not actively looking for a change. Yet, out of curiosity, I went and Hahm turned out to be an extremely sharp and intelligent man, full of creative ideas and energy. I vividly remember engaging in a long and interesting chat with him, not entirely related to LGEIL's business interests in India.

The next day, I was set to meet KR Kim, the MD and CEO of LGEIL. Surprisingly, my first interaction with the charismatic leader, whom I would later go on to acknowledge as a strong force behind LGEIL's phenomenal success, turned out to be a short affair.

What I do recall, however, were the man's small courtesies. When I was led into his chamber, he quietly sprung to his feet, shook my hand vigorously and softly muttered, "Welcome to LG" — prophetic words those! As if, I had already embarked on the choppy waters and was a sailor in arms!

The only question that Kim did ask me was about my address in Delhi and when my answer did not ring a bell, he walked to the Delhi map displayed behind his desk and asked me to help him locate the place on it. After that, the otherwise uneventful meeting closed.

Hahm then took me to meet two senior expatriates — B.D. Yoon, the then Vice President (Manufacturing) and H.J. Park, former Vice President (Finance). The four of us sat for about 15 minutes in absolute silence. They were supposed to have interacted and assessed me, but instead none of us exchanged a word and finally the meeting was declared over.

The next day, Hahm handed me the appointment letter and it got revealed that they had already done intensive background search on me.

The Undisputed Market Leader

According to an ORG-GFK April 2004 report, LGEIL is the clear leader in colour television (CTVs) with a market share of 22.6%, followed by Samsung and Onida with 13.6% and 10.4%, respectively. In refrigerators (23.6%) it is neck and neck with Whirlpool (21.7) and Godrej (19.9%). In washing machines it has washed out the market with a 30.5% share, followed by Samsung and Videocon, which control 14.9% of market each. Again it has 40.7% of market for microwave ovens, followed by Samsung and Kenstar with 27.4% and 9.1% respectively.

(LG No.1, Business India, Cover Story, July 5-18, 2004)

The previous day's meeting was merely to study my body language, pick up vital cues and make the final selection. The incident gave me a good understanding of how they did their recruitments.

Of, By and For Indians

The unchallenged trend those days at most transnational corporations was that expatriates manned all crucial functions. All the policies were formulated at the headquarters and then unquestioningly executed at the various branch offices. This left very little elbow room for local managers to manoeuvre things at their end. Consequently, none of these initiatives factored in local considerations leading to huge disconnect between what the local consumers wanted and what the corporate office thought they wanted!

For some managers of the local subsidiaries even simple things like dotting an "i" or crossing a "t" presented a major dilemma, one that could only be resolved through direct corporate intervention. Decision-making thus took a long time because the corporate office had little idea of the complex nuances of the Indian culture and business space so many-a-times their decisions were not customer-driven. To be fair, the expats were also caught in a double-bind situation; they were genuinely clueless about what market strategies would work or how they'd get interpreted by the Indian consumer.

In contrast, the LGEIL story in India got scripted very differently from this, as it bore a strong local imprint. In retrospect, I think, it must have made for a bold, cultural strategy implemented with a lot of internal conviction.

The strategy got vested in three crucial decisions, which have now entered into the very fabric of our organisational culture. Briefly, the three decisions were:

Surviving India

"Marketing books point out that when you are evaluating a certain area for investment, an obstacle represents an opportunity, since without obstacle it is also easy for your competitors. In India, we at LG enjoy the obstacles. This is a country where expatriates often find it difficult to live and to survive, which is why many Japanese executives, for example, come here without their families, Koreans, on the other hand, always came with their families. This not only provides encouragement but demonstrates the sort of commitment needed to succeed."

(K.R.Kim in an interview to Mckinsey & Co.)

- Indian employees would be appointed as the key decision makers at LGEIL. The role of the Foreign Service Employees (FSEs) would at best remain limited to that of facilitators, which implied that they would co-ordinate with LG Korea and provide expertise, where needed.
- The Head of the Human Resources division and the Head of Sales & Marketing division would always be Indians.
- The Head of Manufacturing and the Head of Finance and Accounts would be FSEs but even they would be assisted by Indian managers, who would provide key support to these functions.

These decisions became the cornerstone of LG's operational strength in India, the evidence of which can be found in the following statistics:

About Trust and Empowerment

I sharply believe that if you trust people 100%, their dedication will be 100%. If they think you trust them only 50% of the time that will also get reflected in their performance.

(K.R.Kim in an interview to Mckinsey & Co.)

- From a turnover of US$ 31 million in 1997, it went to US$ 583 million in 2002 and further to US$ 1456 million in the last financial year, i.e. 2005
- Our headcount, meanwhile has grown from 402 in 1997 to 2900 in 2005
- In just over five - six years, we have shot to No.#1 position in all the product segments. In 2006, we were market leaders in the Colour TV (commanding 28 per cent market share); No.#1 in refrigerators (29.4 per cent market share); and No.#1 in washing machines (30% market share) No.#1 in the microwave oven (36.7% market share) product category and No. # 1 in the air conditioner (34% market share) *(Source: GFK-ORG)*

LGIEL's Organisational Structure in 1997

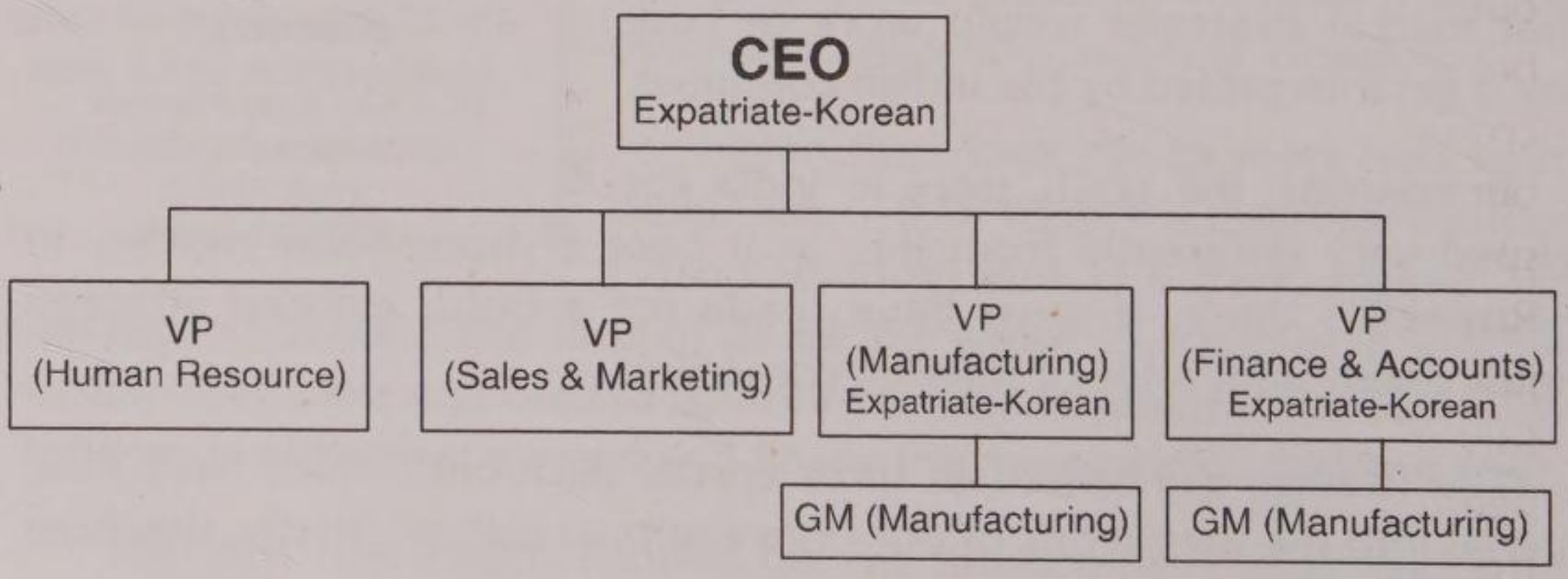


Fig. 1.1 (Initial Organizational Structure)

As is clear from Fig. 1.1, except for the CEO, VP-Manufacturing and VP-Finance & Accounts, all other positions were held by Indians.

This kind of people planning was deliberate and the result of a carefully thought-out strategic intent. Initially, when we recruited people, we took them in their respective area of expertise, but once the company stabilised, we started rotating them as per their requests, inclination, acquired skills and expertise.

One LGEIL belief, which to my mind carries a lot of merit, is that of "cultural competence". Before "cultural compatibility," and "cultural fit" became buzzwords of the new business lexicon, Kim knew that a home executive's understanding of the local market, customer needs and preferences, law or environment issues, would always be superior to that of an FSE's, how so ever accomplished the latter may be in other respects. So, the former had to remain in the driver's seat. I see this trend reflected in several transnational companies today, but when it was introduced at LGEIL, it amounted to swimming against the tide, although this corporate *mantra* did help us swim ashore, nonetheless.

Several years after, I once happened to ask Kim if he would have followed the same line of control in China and pat came the reply, "Why not? Who do you think is running Haier and TCL in China? Koreans or the Chinese?"

I saw the point. Truth doesn't change in complexion with geography.

Toddling Along on Our First B'day!

It was April 1, 1997, when LGEIL rented out the full seventh floor space at Trade Tower, Nehru Place. It appeared adequate in the beginning but with time, as we continued recruiting at break-neck speed, the place became extremely crowded. The conference room was forever bursting at the seams. By April 8, we had begun spilling into the banquet hall of Hotel Park Royal, a snazzy up-scale, five-star hotel that had just come-up in the vicinity. But when even this turned out to be inadequate in meeting the needs of a fast-expanding organisation (our strength now stood at 115), we launched an active hunt for another office.

Doing Things Differently

LGEIL doesn't offer employee stock option. We don't even figure among the top 15% of companies in terms of compensation. Then what makes us such a preferred employer. I think it is our performance driven culture that helps LG make the grade as a best employer.

Our Sales and Marketing division had anyway been moved to Okhla Industrial Estate, which lay 10-12 kms off from Nehru Place. It posed some logistical problems initially, as the sales and marketing divisions needed to co-ordinate regularly, but we quickly solved this issue by distributing cell phones — a rare commodity in those days — amongst all our managers. It cost us the moon, but the money was well spent as it closed the physical distance between our scattered offices and speed of communication became a hallmark of LGEIL's operational strength in India.

Later we started setting-up operations in other cities such as Delhi, Lucknow, Kundli, Jaipur and Chandigarh. We set an impossible deadline for this ambitious plan. We wanted to complete the first phase of setting-up our sales offices by 12th May 1997, i.e. within a month of LGEIL's launch in India.

A Performance-driven Culture

At LGEIL, hardwork is a habit rather than an intention.

(LG, Express Computer, Vol. 12, No. 14, June 11, 2001)

Moving at lightning speed and by carefully delegating responsibility, the Sales & Marketing team got set on product launches and pricing; the logistics focussed on warehouses; the customer service on establishing new networks, while the HR team applied its full strength to making new recruitments besides supervising the furnishings of all five new branch offices.

By May 12, 1997 all the five sales branches were launched. It stood for a major leap, so we decided to observe this day as LGEIL's birthday in India!

Maintaining the same momentum, we later took five months to set up all 18 new branch offices, so by the time we were done, the festival season was already on us — a goalpost that we had been striving to hit, all this while.

The Importance of *Diwali*

It needs to be noted that the run up to *Diwali* is the peak sales season for all consumer goods companies in India. Kick-starting from October, the season lasts up to the exact *Diwali* date. Since, it was our first festive season in India; we wanted all our operations to be set-up within a 30-day framework before *Diwali*. We anyway had all the basic resources at our command. The sales infrastructure of the kind that we had managed to set-up in just five months, would normally have taken two-three years, but, since we were racing against the clock to be ready for our first *Diwali* in India, we made the grade.

The outcome? LGEIL sales during that season grew at a steady pace. Initially, we had no option but to rope in 'B' or 'C' grade trade partners as our main competition was threatening the 'A' grade partners not to accept LGEIL products. However, as we grew, we began to get more established dealers into our network..

All this and more was accomplished not just with the speed to market factor in our favour but also through aggressive posturing, innovative thinking and, last but not the least, constitution of a few, highly-focused sales and operational teams.

For its part, the corporation took care to empower all its foot soldiers — LGEIL was the first company to provide not just cell phones but also personal cars to all its Indian branch managers and the benefits of these spends became quickly evident.

To be sure, there were some false starts, as well. For instance, at one sales office, when we were nearly finished with all the other recruitments, the branch manager's position was still vacant!

That's when the branch employees started making a string of frantic phone calls. "Are you a fraud company?" an agitated employee from Pune called up to ask, "No boss, no office, no work!"

Getting Tough

I hate to hear people say LG is a comfortable place to live. I want it to be tough.

(K.R.Kim, MD LGEIL in an interview to Business Week, January 24, 2005)

Imagine his reaction when I asked him to stay at home and we would send his salary. We had no option but to advice each one of them to hold on to their horses, while we settled issues relating to their office, infrastructure and the appointment of their branch manager. And of course, they would be paid their salaries at the end of each month!

Meanwhile, at another office in Lucknow, everybody, including the branch manager was recruited but, the office space hadn't been leased out to us. So the employees there were operating out of the branch manager's house.

At a Ghaziabad branch, the branch manager who had joined us from a different location was accommodated in a hotel room, until we could rent a small room, put some furniture in it and in the hot summer month of May '97, without any air conditioners, the rag-tag branch became operational!

In short we did a lot of unconventional things in those days, but, behind it all, there was also a method to our madness.

Meanwhile we were also fire-fighting on a different front: trying to keep our flock together as the executives were demoralised and not very clear about the company's vision, product line-up etc. We figured this was the time to have an all-India induction programme. The programme ran for almost two days, during which we screened a short film on LG Korea, displayed the new product range that was set to be rolled out over the next nine months and communicated our future vision and values for the fledgling company.

Simultaneously, we also held "melt-ins" for the new recruits, wherein an all-out attempt was made at discovering what their specific expectations from the company were and how they in turn would contribute to the growth of the organisation.

Both these exercises proved successful, as employees regained confidence in the company's and their own future, so we decided to repeat the programme at least once a month for the next three-four months, even as there was no let up in making fresh recruitments!

While growing at such an unimagined speed, we stuck to two fundamental rules:

- Anyone who expressed an inability to join us within four-five days of selection was not called for an interview.
- The selection was done on-the-spot; everything including short listing of resumes to interviews to issuing final Letters of Intent was done the same day. The message to the candidates was unambiguous — take it or leave it. We had no time for pussy-footing. In fact, as many as 300 people had to be recruited within four months.

In retrospect, this might come across as a hasty and foolish thing to do. Detractors may be tempted to say that we compromised on the quality of the people we hired. However delayed recruitments do not necessarily translate into better

Picking the Low-hung Fruit

Ducking the trend to going to high-ranking institutes, the LGEIL culture has always been to recruit and retain personnel who possess the following attributes:

- **People who are constantly changing themselves and cope well with the constantly changing environment around them.**
- **People who are willing to take risks and who will aggressively pre-serve breakthrough policy changes.**
- **People who will lead innovation and devote their enthusiasm to cultivating people of the highest talent.**
- **People who conduct business with honesty, fairness and sincerity**

quality candidates. When a decision gets delayed, it is generally due to a lack of focus or internal co-ordination, or because someone was getting over-analytical about the situation. There cannot be any other cause for delaying a hiring decision. My own learning in the matter is that when you are sure about a candidate, you must go with the hunch and seal the matter.

In fact, not giving sufficient time to people to procrastinate, took care of the other, more taxing problem in our case, they couldn't dilly-dally. Either they had to come on board or leave; it was as simple as that. Given this sort of all or nothing choice, a person's gut reaction (on either side) is generally right; there is no need to go by any other yardstick in a hiring matter. Fast decision makers are the kind of risk takers that LGEIL anyway needed at that time and has always been on the look out for since.

That said, sometimes, speed can also invite uncalled for trouble, as the following incident will illustrate:

We Get Taken for a Royal Ride

Since the space issue was now getting out of hand, we fell into the temptation of entering into a hurriedly-negotiated space contract with the Usha Group. The identified premises for the corporate office were a building at the outskirts of Delhi's border, at a place called Badarpur. As it turned out, this was perhaps one of the worst decisions we made in those days. The commercial terms of the agreement were so inherently disadvantageous to us that after a tip-off from other corporate occupants of the area, we realised we had been trapped, merely because the landlord thought we were a transnational corporation, hence, sitting ducks to their diabolical plans. We are still in litigation with them for a refund of our security deposit, which runs well into a few million dollars.

More Teething Troubles...

Our problems by nc means ended with the resolution of the space issue. In fact, it marked

Changing Business Rules

Over the years the company has used its "brand power" to toughen up relationships with dealers. It has reversed the Indian tradition of giving 30-40 day credit on goods and if dealers fail to pay on time, they lose LGEIL's business. That gives dealers an incentive to promote LG products, and it gives LG enough cash flow to demand discounts from suppliers.

(How South Korea Conquered India, Fortune, April 19, 2004)

just the beginning of a few more teething troubles. For instance, one of our competitors embarked on a very unethical practice of forcing some of our common trade partners not to sell LGEIL products at their retail outfits. To set an example in the use of punitive measures, they even severed a couple of contracts, with the result that we discovered that we could only collaborate with B and C category counters. This issue later got sorted out on its own when the LGEIL brand became stronger and the small dealers who had jumped on the LGEIL bandwagon in the beginning also grew in scale and size.

More trouble lay in store when another of our competitors went ahead and obtained a court injunction against us, stopping us from manufacturing and selling one of our winning, washing machines models. The protracted legal battle consumed three months before we got the stay vacated.

The Cultural Cauldron

While externally we were grappling with these and other petty issues, with our competitors, internally, there was another demon that was quietly rearing its head. Until this moment, we were still struggling to establish systems that would let LGEIL values take root in the hearts and minds of our people.

In other words, the organisational culture in LGEIL at that time was as good as non-existent. Conflicts and disillusionment were the order of the day and violations were getting reported around the same time as rules were being framed.

At times, the field was left free for everyone, to do as he/she pleased with no action or policy questioned. So, if a Sales & Marketing Manager wanted to do business his way, the Head of Logistics was following another, without realising that their individual ways were not serving the interests of the company. One was experimenting with practices followed at his old company, while the other had devised something clever of his own, and it didn't occur to either of them that the twain couldn't meet!

In the resulting confusion, nobody had any clue what was happening or what was LGEIL's way of doing things. For a corporate entity this portended a very dangerous scenario!

So in sheer alarm, we decided to drop everything and get set on evolving our Key Performance Indicators (KPI). The first KPI-setting exercise got completed sometime in August 1997. Everyone was invited to identify his/

her performance parameters. The final KPI statement had some eight to nine "quantifiable" measures that, because they had evolved through consensus and were not management hand-me-downs, instilled a sense of ownership in each of our employees. They felt they finally had something that bound them together. In the process, they also understood, that poor performance, if repeated consistently over a period of time would not be accepted. This was a very challenging period for all of us; we did not want any excuses for non-performance or slow performance.

Nevertheless in order to secure their initial "buy in" to tough rules, we did share with them the real purpose and meaning of undertaking such a massive exercise. They were apprehensive at first and a little sceptical later, but thankfully they were not altogether resistant or rejecting. The mood was guarded and their reaction at best was "indifferent" and at worse, conveyed a guarded "wait and watch," policy.

Some of these doubts began to melt only around the next appraisal time, when they began to appreciate the relevance and fairness of the KPI system. They realised that it gave them a target; a focus and an effort orientation, better than what they had before.

However, despite our best attempts to maintain an amicable, professional environment, some conflicts, relating mainly to culture, persisted in our midst. Unchecked, these flash-points would surface frequently between the Indians and the FSEs. Suddenly, a flare-up happened for no apparent reason. On surface, everything appeared calm, but beneath the placid waters, there were undercurrents, that would send off a spark or two.

The crux of the matter was that the FSEs felt that the Indians were getting fatter at their expense; they were being paid more than their due; they talked in excess and accomplished little, while they (the FSEs) were often left holding the wailing baby, as the Indians quietly disembarked the rocking ship. On the flip side, they also felt that leaving some crucial operations to the locals was a big risk, one that was

Setting Precise Targets

How a Korean company managed to outsmart its foreign and Indian rivals is a story about culture change. Like the other Korean companies that have been successful in India – Samsung and Hyundai, India's no. 2 car producer – LG had good products and smart marketing. But LG went further by challenging Indian work habits...negative management traits, such as ducking challenges and tolerating excuses, are overcome with bonus schemes that can add 80% to salaries. Employees are assessed against precise targets.

(How South Korea Conquered India, Fortune, April 19, 2004)

not taken at any other subsidiary company and one that would have to be paid for in the long-run.

I would have to admit that some of these perceptions were indeed true but some were patently false and based largely on premises, past skirmishes and the common human tendency to jump to hasty conclusions when you don't know enough about another's cultural practices.

In my understanding, what really got the FSE's goat were little things, such as our phone etiquettes, or rather the lack of it. They just couldn't understand the Indian "need" to be impolite on phone; short-circuit each other in mid-sentence; engage in pointless arguments, adopt defensive posturing or simply refuse to pick up the phone when someone wanted to conduct urgent business with them.

Indians on their part had their own litany of complaints. Secretly, they disapproved of the way FSEs spoke on the phone, while propping their legs up on the chairs. They felt that the FSEs lacked the sensitivity and the emotional depth that the Bollywood-loving Indians had. In fact, they felt that the FSEs had little or no knowledge of the Indian market, nor the inclination to pick cues from them, yet, very often, they were put in the drivers' seats.

Both sides were so sure that their worldview was correct that neither was willing to bend or compromise, consequently there was little tolerance, understanding or appreciation of each other's way of functioning. This soon got the management worried. We began to feel that unless we had a cohesive team, the company would not be able to embark on any meaningful venture. Yet, instead of mounting any direct intervention plan, LGEIL management decided to concentrate on the task at hand, i.e. give people more space, projects and opportunities so that the two cultural teams could come together and resolve their problems through collaboration and consensus without any external assistance.

I remember once bringing up the subject with Kim and his position was: "There can be no final solution to these problems. At best, we can hold a few cultural sensitisation workshops, but those would only bring about cosmetic changes. Put them to tasks and ask them for results, then nobody would have the time or energy left to get distracted by these petty affairs, and as a result would form themselves into teams."

He was bang on target. As our market position strengthened, culture ceased to matter at LGEIL. It still did exist, but not in the manner it earlier had.

We the Team

Since culture was not focussed to penetrate too deep into the DNA of LGEIL's organisational fabric then, we began to hunt for other, more effective ways of instilling team spirit; one that could override all parochial considerations. That's when we came up with the idea of taking our employees on a trekking expedition to Annapurna in Nepal.

In the end, the three-day expedition, in which both Indian and the FSEs participated, turned out to be just the kind of ruse we were looking for: The arduous journey was as much a journey within as a journey without.

Daily, we were made to trek for a minimum eight to nine hours. Each day led us to new discoveries but the day that presented the real challenge was when we were led straight into the heart of a dense jungle inhabited by wild species of all kind. The path was rough and strewn with danger, accurately simulating some of the real-life challenges that we were facing at LGEIL's and it turned out to be a real life lesson for each one of us.

Here thousands of miles away from Delhi, the terrain was rough and treacherous and the slope so nasty that one careless step would have hurtled a trekker thousands of feet down into a deep abyss. We had just one another to protect ourselves from these mortal dangers. It was risky, but together we stood our ground and that eventually made us comrades-in-arms.

I realised that day that challenges often bring out the best in us. When we pit ourselves against dangerous situations, all the latent problem-solving skills and survival instincts come to the fore, allowing people to develop physically, mentally and if I may add, spiritually.

The trek proved yet another point to us: It proved that physically, if not spiritually and mentally, the FSEs were far stronger a breed than their Indian counterparts. Without their help and offer to carry us piggyback (literally and figuratively!) the journey could never have been made. Confronting crisis sharpened our team-building spirit and from that day onwards, culture became a less relevant factor at LGEIL.

Benchmarking Against the Best

Around this time, we had also begun to realise that any exercise at setting- up a KPI system was incomplete without benchmarking our parameters against the best in the industry. We also discovered that most

companies hired external (read foreign) consultancies to handle this job, that not just charged an exorbitant fee, but also took six-seven months' timeframe to complete the process, but since time was an extremely short commodity with us, we decided to undertake the exercise ourselves. The cornerstone of this benchmarking exercise was: If you are using X resources to accomplish Y task, next year, use X/2 resources to accomplish Y, or better still 2Y tasks. Sounds impossible? But we did it, so we know the system works.

Over the years, we went on to develop a more scientific KPI system based on stretched targets, but the practice of steadily allocating lesser resources has stayed with us and stood us in good stead, especially in the face of stiff competition and the cost-competitive industry we are in.

It was as if, we had unconsciously stumbled upon a fool-proof, success *mantra*. We had discovered that the secret of challenging people lay in throwing more challenges their way; and do that in more than one conventional way.

Small wonder then that during the subsequent years, LGEIL went on realising all its set targets! This simple KPI exercise revealed to us the immense human potential that lies untapped in each one of us. You may shrink it, but it keeps growing from some deep, hidden reservoir. All that we, as supervisors had to do was to show them a goal; keep the fires in their bellies burning and their spirits soaring and the rest got accomplished on its own, without any external help or aid.

So where was the point in limiting their potential by some logical "target-driven exercise? If the illogical could achieve more, it was good enough for us.

The "Push" and the "Pull" Strategy

From the word go, LGEIL has had a very strong customer and sales-driven ideology. Dub it as a strategic balance of the push and pull factors. The push came from the sales department and the pull from the loyal customers.

To reinforce this vision, we made it a customary practice that any LGEIL executive, visiting any city or branch had to first do a field visit of the local market and experience the market first-hand. There were no two ways about it. The feedback had to come straight, honest and delivered direct to each one of us.

This required that every LG 'brand ambassador' had to meet a few local dealers/distributors and sell one or two products over a direct interface with the customers. Later, at the corporate managers' meeting, they had to make a presentation and be quizzed on what values customers looked for in LGEIL products, so that, if we were not meeting some of these expectations, the product could be sent back to the R&D.

Indeed, so focussed were we on the quality factor that, if ever we spotted a defect in a product, it was promptly taken off the shelves. Our aim always then as now is to exceed customer expectations, and these dealers' meetings helped us in going some steps in that direction. In the process, our executives also came to empathise with the various hardships that the dealers or the customers were facing and brainstorm better ways and means of ironing out those issues.

Without doubt, this kind of a field experience completely changed the mindsets of an average employee at LGEIL's support department. They started appreciating the market forces, the customer requirements and their own responsibilities in the matter better. It served another important purpose as well: The corporate sales could keep a tight vigil over the functioning of the individual branch officers through a third party (read the dealer or the customer) on the quality of the after sales service rendered.

Along with all this, it made fixing problems a lot easier for us. The moment a flaw was detected, we could launch a damage control mechanism and the product went back into R&D. By the same token, a positive customer feedback enabled us to quickly replicate the feature on other products.

Policy on Price-cuts

LG has also shaken things up on the marketing side. It has driven prices down by 18% to 20%. Over the past two years LG has steadily increased distribution outlets and the breadth of product ranges.

(How South Korea Conquered India, Fortune, April 19, 2004)

In this manner, our response to all problems — human or mechanical — increased exponentially while at the same time the system helped us maintain absolute transparency and establish strong communication links between various stakeholders.

This exercise also taught us that "Marketing is useless until it results in sales." Abstract creativity in communication campaigns is alright, but, the real meaning becomes evident only when the interest prodded by a marketing blitzkrieg also gets converted into a real sale.

Riding on this practical dictum, our marketing department was encouraged to create its own campaigns and its critics were often the people in the sales department. Seldom, if ever, did we commission costly, non-productive surveys or studies to understand our own brand positioning or market strength. We had the confidence that our people knew the situation better than anyone else and we trusted the picture that they presented to us rather than going by the mumbo-jumbo of some external consultant.

We Were No Control Freaks

Finally, our vision, and this was communicated to each one of us at every available opportunity to create an organisation where the corporate office would exist just as a support office, or at best a help desk to the various branch offices. The real seats of action were the branch offices and we willingly and happily conceded this role to them, without any ego hassles.

A Three Pronged Strategy

Our HR policy rests on three criterias:

- **Highest capability**
- **Highest performance**
- **Highest compensation for best performers**

What had to be built was a very non-bureaucratic set-up, where no one could hinder another's performance. To this end, we made sure, that all our policies had the necessary "buy in" from our internal as well as external customers and no decision got thrust upon anyone unilaterally.

The result was the framing of down-to-earth policies that did not come out of the leaves of a heavy-bound management tome, but were grounded in hard-nosed practical sense. As an additional benefit, there was also a huge ownership towards these policies. As the Enron debacle goes on to prove the length of a document has no bearing to its final implementation. Their, ethics document, I am told was 65 pages long. It finally made it to the e-Bay auction site, only because it was so famously ignored!

Our First, Established Base

LGEIL bought 47 acres of land from the Greater NOIDA Industrial Development Authority way back in August 1997. The construction of our first factory complex took a record time of nine months, the same as it takes for a baby to be delivered.

By April 98,' our first Colour TV line was sliding off the conveyer belt. Our facility at Greater NOIDA had an initial capacity to turn out 500,000 CTV's, 100,000 semi-automatic washing machines, and 100,000 air conditioners. Lately, we had been ramping-up their capacities and adding new products.

Locking Horns with Greater NOIDA's Criminal Elements

Greater NOIDA is a satellite town 30-35 kms away from the Indian capital New Delhi, and eight-nine years ago, it had the dubious distinction of harbouring some notorious gangsters and organised land grabbers. It was the proclaimed badlands of Uttar Pradesh and the brunt of this was being borne heavily by a clutch of industries already established there, such as Daewoo, Escorts, Yamaha, and Asian Paints, to name a few, who, like us, had probably got attracted to the area, because of the low-priced land.

Although this was never discussed openly, threats and demands for extortion were an everyday affair and these were often quickly and quietly settled with the lumpen elements, because to invite their wrath would have amounted to inviting more trouble. It was common knowledge that these gangs had deep roots, so nobody dared challenge their muscle power.

A Winner All the Way

LG's hectic pace in the subcontinent has left other multi-nationals and local rivals struggling to figure out the secrets of its success. Sceptics may wonder whether its competitive price strategy will hold, but few doubt its long term commitment to go on growing in India and to transform its Indian operation from a useful hit player into a significant contributor to the company as a whole.

(Premium marketing to the masses, an interview given to McKinsey & Co.)

Very soon, we also fell into their target range. The extortionists, many of whom identified themselves as trade unionists, began mounting pressure on us from the day work started at the factory site. The pressures were mainly of two kinds: give us employment or give us contracts.

We discovered their real credentials by default when some of these jobseekers turned out to be history sheeters with long police records. Their tried and tested strategy was to get some of their men implanted in an organisation and then, through them, arm-twist the management by creating ruckus over every issue big or small.

LGEIL management decided, at the very onset, that it would not play ball with any of these anti-social elements.

The result? In order to mount pressure on the company, they started issuing threats to a few of our employees. On a few, unannounced occasions, a few of these "trade unionists" turned up in full force to '*gherao*' (cordon off) our factory, but we did not get cowed down by their bullying ways and after a year and half' of shadow-boxing, the frequency of such show-downs began to peter off.

On Indian Bureaucracy

"For many people, bureaucracy in India means something bad, but I see a positive side to it – namely, the stability that it finds. India's govt. has changed many times over the years, but because of the strong bureaucracy, the basic policies are stable."

(K.R. Kim in an interview to McKinsey and Co.)

All this while, we were anyway making progress at studying their structure and "organisational" design on the basis of intelligence gathered from the grass-roots and were able to devise better screening tools that kept them at a bay and prevented them from penetrating any part of our organisation.

Meanwhile, we trained our eyes on the employment norms laid down by the local government, which were extremely reasonable.

One Member of Parliament (MP), with whom I happened to interact quite closely in those days was so helpful that he bailed us out of several small political skirmishes. The MP, Ashok Pradhan is a young and dynamic politician who knew how to balance interests between populist rhetoric and real progress for his area. He was quite supportive of LGEIL policies and with his help we managed to tide over many rough weather days.

There were however times, when even their help proved insufficient. I remember, for instance, how once we got choked in heaps of scrap simply because there were so many scrap dealers operating in the region that to have favoured one would have led to bloodshed. So the scrap lay with us for six months, before it could finally be cleared.

Yet, we refused to bend our rules to please a few. The unique Industrial Relations policy that we stuck to and one which paid rich dividends in those days was based on two strong and salient features:

- If we anticipated losing on any issue with a local gang lord, we preferred to give in before the issue became big, as a gracious management gesture.

- If, on the contrary, we felt that we could stick to our stand and emerge victorious, we fought that issue, won it and later publicised it heavily in the industrial belt.

Both the cannons were based on ruthless, pragmatic sense. A good commander, we were told, knows when to launch an army. He doesn't fight battles that are meant to be lost. In the corporate world, that can amount to a callous waste of time, effort and precious resources.

So all that we did in managing these affairs was to quickly do a cost-benefit analysis and then act, but, in the minds of the locals, we still managed to create an impression that LGEIL never yielded to any pressures.

Soon the message went home that they had no option but to maintain cordial ties with us. The strategy worked fine and gradually, these lumpen groups, instead of resorting to their usual terror-tactics, started making friendly overtures towards the management and turned "pro LGEIL," to borrow a popular media phrase from those days.

The Road Ahead

At the moment we are a US$ 2 billion company in terms of sales. We want LGEIL to be a US$ 10 billion business by 2010. That is my dream. We may end up being only a US$ 7 billion or US$ 8 billion business, but by aiming to climb Mount Everest you will easily scale a smaller mountain.

(K.R. Kim in an interview to McKinsey and Co.)

A Corporation with a Heart

Believe it or not, after we were set, we ended up absorbing nearly 25-30 per cent of Greater NOIDA's village community into our workforce minus, of course, the people we didn't want. This was as much a result of our carefully-devised screening policy as activities related to Corporate Social Responsibility. On CSR score, we have maintained a fairly satisfactory track record. From the day we started operations at Greater NOIDA, we have been trying to raise the bar on the area's social development even without any local support.

Within a few years we hiked our CSR budget from US$ 0.55 million to US$ 0.65 million. Of this US$ 0.32 million was allocated to branch offices for their CSR activities and the rest got spent at Greater NOIDA.

To begin with, we carried out an extensive survey of the area and discovered that the region severely lagged in medical and educational facilities. To amend the situation, LGEIL became the first company in the

region to kick-start a policy of adopting government-run schools. Every year, we would donate books, equipment, furniture, water coolers, school bags etc. to those schools. Meanwhile, we also hired a team of doctors and paramedics to set-up mobile clinics in the villages.

We identified 15 target villages, which lay within 3-5 km radius of the LGEIL factory and ensured that they were visited by at least one medical unit every fortnight. All these efforts won us immense goodwill and the villagers began to treat us not as trespassers but as friends.

A Start is Made

On the operations front, we knew that speed would always play a crucial role in the growth of LGEIL. The backend MIS could take time to develop, but we needed to make up for it by purchasing stand-alone packages so that operations could run on smoothly without a hitch.

The challenge of placing a highly-effective and integrated system on track was a mammoth one, which consumed a lot of our time, effort, strategic planning and careful thought, but because we embarked on it happily and enthusiastically, it eventually began to work, despite not having all the policies and systems in place at the right time, at least for the first two years.

Yet, we grew phenomenally well, all due to the undying passion and perseverance of our employees. They put all their zest and zeal into a common cause and it started producing results. We had carefully chosen them for these very qualities — they had a hidden spark and could be groomed into future leaders. This was a very important part of our hiring strategy – we deliberately didn't poach people who already held key, leadership positions, as we felt that they would have no brownie points to establish at LGEIL. Instead, we trained our search engines on the uncut, unpolished diamonds that lay forgotten or ignored in the dust heap. These were also passionate, result-driven people, but for some reason, they hadn't had their talents noticed or appreciated. We were willing to give them that platform.

LG Group: Leaping to the Future

Described as a "managerial revolution," LG's leaping into the future programme is aimed to transform the group into a world-class global institution that would generate $ 40 billion in revenue in the year 2005, with profit rates that could be comparable with the world's best companies in each of its different businesses.

(Extracted from a December 1996 London Business School Case Study),

LGEIL was a *karambhoomi*, a battlefield where they could perform to their (and our) heart's content and at the end of each performance cycle, we'd still be demanding more. This was no place for duds; it was an ideal ground for all the live wires!

To be sure, we took a bit of a gamble here, but it was a gamble worth taking and we were in the mood to play. Later it became the core point of LGEIL's people strategy — we expected our products to exceed our customers' expectations; just as we expected our employees to exceed our expectations!

Both these categories of performance were handsomely rewarded when the goals got accomplished.

Sometimes, there was a heavy effort and cost involved in constructively channelising the energy and passion of these rough, uncut diamonds; some had such sharp edges they cut one another instead of attacking a project, but over time, we perfected the strategy of putting up dams to contain their force and direct it into productive outlets. There were however no doubts in our mind that these were the energy resources that we needed.

Talking about dams, reminds me of an interesting drama that unfolded at corporate office. In October 1997, a meeting was scheduled for all 18 branch heads. The agenda was to review their performance and set new targets. At the meeting, Kim happened to make remarks that made it appear as if he was coming down heavily on a section of the "low performing" managers, asking them to improve their collections, while overlooking the fact that these branch managers also had some stupendous sales to their credit.

Those branch managers had come to the meeting expecting a pat on their backs; instead, they were reprimanded so the immediate reaction was of shock, hurt and disbelief. They bore it in silence then, but later decided to boycott the official dinner that the CEO was hosting that night.

They came for dinner, but stayed for less than 10-15 minutes, before gradually slinking away with the same, ready excuse — it was Tuesday, a day when they fasted.

As was to be expected, the CEO was not amused. Nonetheless, he decided to be patient. He took the view that the branch managers' reaction was not so much a display of defiance, as a knee-jerk reaction at being rebuked publicly. Nonetheless, since it was an act of insubordination, which if allowed could have escalated and created more problems, it could not have been ignored, as it would have set a bad precedent for the rest of the employees.

Fortunately, while all these discussions were on, the branch managers were also in a separate huddle and had come to realise that their behaviour amounted to abject impertinence, something that no management, Indian or foreign could meekly put up with.

Subsequently, they started ringing up Kim, one by one, to apologise and eventually the CEO asked them to put the sordid issue behind them and concentrate on future performance. That day, I picked a new lesson in my life: A *forgiving management is a very important in motivating and changing the fixed attitudes and mindsets of its employees.*

Summing Up

If chaos marks the beginning of any creation, LGEIL's establishment in India was no less chaotic.

It's another matter however that at no point of time did this chaos soften our resolve, or weaken our impulse. With a chin-up attitude, we bore all the initial blows and internal hiccups stoically — our brush with the local mafia or the politicians, the trouble with our competitors, the non-cooperation from government agencies and dealing with all the internal conflicts — began to fade away gradually, as problems are meant to, when we stayed true to our goals and the corporate mission and vision..

The result was there for everyone to see: Within two years of the launch of our first factory and 18 branch offices later, LGEIL had ascended the No.# 4th position in the Colour TV segment and the No.# 3rd position in the ACs segment in India.

As experts would contend: No mean achievement that!

LG
Life's Good

2

Strategic Foundation

THE LEARNING THAT ENDS IN B-SCHOOLS, BEGINS AT LGEIL

SYNOPSIS

- *This chapter focuses on various key strategies that worked in LGEIL's favour.*
- *Strong and speedy execution wins the day for the management as systems are put in place without recourse to long-winded procedures and conventions.*
- *A range of high quality products is built in order to cater to a wider customer base and an excellent brand image.*
- *The company correctly identifies Cricket as a route to win Indian hearts as the sport is a religion here, and decides to sponsor the World Cup played in England in '99.*
- *As the sales network expands, a fresh thrust is made to strategically tap into rural markets as well.*

2. Strategic Foundation

THE LEARNING THAT ENDS IN B-SCHOOLS, BEGINS AT LGEIL

Certain rules are meant to be observed and this principle applies very firmly to scenario planning at LGEIL.

The LG brand in India

One out of every four durable sold in India is from the LG stable.

In my understanding, LGEIL would not be where it is today, without putting into practice some of the key strategies, nay, business *mantras*, that I am going to take up over the following few pages. They may not look to be unique, yet their powerful execution has given us results. In fact these business *mantras* are what set us apart from all the other consumer durable makers in this country.

At the first glance, some of these strategies may appear like common business sense; some as fore-sense and some as hind-sense, but, when in the final analysis, all these senses are clubbed together, the result is quintessential LGEIL, i.e. a sixth sense that clean swept us to the top of the heap in almost every segment that we represent.

I have always believed that simplicity in ideas is more effective than any strategy, which is so elegant and impractical that it should best remain trapped in a management tome.

The Macro Strategy

Building on the founding objective of clinging to the 'value game,' top management at LGEIL has defined criteria for business operations that concentrate on:

- **Forward integration**
- **New market consolidation**
- **Service reinforcement**

Making the Calendar Year LGEIL's Financial Year

This strategy was implemented globally, but, in India it meant something different altogether. In balance, it made a huge difference to the company's rising fortunes, giving us, just the kind of a time edge that we were seeking.

Since, the peak sales for any consumer durable company in India get logged around *Diwali* (amounting to around 15 % of the annual sales) and the festival of lights falls either in the mid or the end of October or by the very latest, in early November, sales begin to plummet soon thereafter, except in some isolated quarters of Southern India, where, New Year sales are higher.

Off With the Old

Perhaps the most important step was to leave behind the baggage of the past. As Lucky Goldstar, the company's biggest fault was that it did precisely what other white goods brands of the 1990s were doing: some half-hearted advertising and pushing the products only when the consumer entered the store. Activities that "pulled" potential buyers into showrooms were conspicuous by their absence. Once it got the permission to operate as a wholly-owned subsidiary, though, all that changed. Within just five months, LG products were available across the country, compared to the average two years competitors took for a nationwide launch.

(How LG became No 1, www.rediff.com, 5th April '05)

Now, since November-December is our lean season, it makes economic sense to plan and mobilise resources for the next financial year during this period.

During this lean time, every department in LGEIL gets absorbed in various planning activities for the next performance year, which commences from January 1 onwards. The timing is perfect and sales don't suffer, as much as they probably would have, had we picked any other time for this crucial exercise, which is undertaken very earnestly and in all seriousness at LGEIL.

Further, the targets that are set for the first quarter are deliberately set high, and roughly mirror the preceding *Diwali* season's sales figures, while those for the 2nd and the 3rd quarter are pegged even higher, as stretch points, so that the aspirations and the corresponding momentum gained over the first quarter don't get lost during the rest of the year, until we crescendo to a peak, sometime around *Diwali* of the next year.

What is important to note here is that target-setting at LGEIL is not a passive, come-

as-it-may exercise. Before evolving stretched targets for each year, we strive to hunt for a unique strategy for each target that would help us chart a different course altogether, knowing fully well, that old and tested strategies can at best, yield a growth of only around 5-10 per cent—whereas, what we have in mind is growth that is higher than the targeted 30 per cent!

Five to ten per cent growth rate is the much-maligned 'Hindu rate of growth," which was probably, the only Indian trait actively shunned by the Korean conglomerate. We wanted to leap ahead like a hungry, swift panther, not move ponderously over the vast green expanse, like an Indian elephant. Although categorisations of any kind are misleading, in this particular case, possibly the only major difference between "us" and "them" companies was that we set tough goals for ourselves that often set us on a different trail altogether.

Over 35-40 per cent of our average growth rate per annum got built and sustained with the discovery and application of new, "out-of-the-box" strategies, every year. The targets were set on TPI 50 and once set; it was difficult to trifle around with them.

The strategies to achieve these targets kept changing with our changing needs but the goal posts remained fixed, sacrosanct and static. Over time, this flexi-dynamic model helped us tide over various unforeseen challenges; it gave a fixed anchor to the intrinsic LGEIL culture.

In other organisations, highest performance is witnessed only towards the last leg of the race. They were the marathon runners who conserved their energy for the end lap, whereas we were more as sprint racers; who performed; passed the baton; got out and came back on the track with fresh vigour.

Retooling Sales Processes

There are some useful interventions that can only be implemented at the sales force level. One of the most important of these, one that frequently gets overlooked, especially in turbulent times, is clarifying responsibilities. This means that you have to constantly monitor your sales processes, CRM tools and review their effectiveness, especially in a changed market environment.

If you're half-hearted in your attempts to create a more sales-oriented culture, you are obviously going to fail. And, if you fail once, it would become more difficult to make the changes the second time round. So implement the new processes before someone else comes up with a more effective CRM tool.

Loyal Partners

Mr V.P. Singh and Mr Rajiv Batra have had a long love relationship with LGEIL. They have been courting LGEIL products for six and eight years, respectively. Almost every consumer durable in their house, right from refrigerator, TV, mobile phones, bears the unmistakable LGEIL quality stamp. Mr. Singh in fact owns all three monitor versions of LGEIL TV: Plasma, Flatron and normal. So what's about LGEIL products that have made them so loyal to a particular brand?

No # 1 — Affordability
No # 2 —Availability
On a quality parameter of ten, they rate LGEIL products on 8 and 9, respectively.

In sum, LIFE has really been GOOD for them with LG.

For us, the track was chopped into small pieces and a few natural and artificial hurdles were deliberately thrown in between, so that the energy expenditure got evenly distributed over the full stretch. This strategy, needless to say, yielded amazing results compared to our marathon partners!

Strong and Speedy Execution

Strategy planning, as reiterated above, has always been a dynamic process at LGEIL. And, prompt execution our hallmark. This brings me to what we have come to identify as LGEIL's 'C Way of Marketing'. This phrase was coined by K.R Kim, who wanted to imply that if our competition was adopting the 'A' or the 'B' way of marketing, instead of blindly this 'A' or the 'B' way, we had to figure out a 'C' way of accomplishing the same goal. We were specifically directed not to follow competition. We had to lead, not follow them on a path, every year.

And, the one factor that helped us follow this strategy was the speed factor. So in everything that we did, our strategy was to undercut the estimated time to nearly a half with some other strategic input. This other strategic input was the 'C way' of marketing our products.

To be honest, some of the "C ways" that we adopted did not always encapsulate elegant, foolproof strategies. They were just working models for accomplishing something; but so long as they took us some distance towards our final goal, they were good enough for us, until we hit upon a better strategy and could discard the C Way for C1, C2, or C3 way of getting our products to our customers.

In other words, these strategies were like processes; if one didn't serve our means, we quickly discarded it for one that was a degree better, so long as eventually, our ends got served.

At times, we discovered that strategy differentiation in the short and long term, as we were attempting to do, was extremely challenging for us because:

- There was not much difference in terms of intellect and wisdom spread across different players in the consumer durable segment
- Unique strategies were easily copied. So even if LGEIL were to come up with a winner 'C way' the first mover's advantage lasted only for three to six months at the maximum. Then the rest of the club picked up the trick and the advantage got lost. It was another matter altogether that even in this cut-throat scenario, quick execution kept us surging forward. By the time competition figured out what we were up to, we had already moved on to implementing the next strategy. We later realised that the best thing about quick and successful execution is that it cannot be imitated, stolen or be borrowed.

At LGEIL, execution also became strong because we genuinely empowered our employees and held them accountable for their, as well as the company's eventual progress. This also generated a strong sense of ownership in them. And, secondly, passion and positive energy kept their emotional involvement high at all times. They were experiencing a start-up environment, which always brings out the best in everybody, while simultaneously honing their survival instincts.

Bells and Whistles

For customers, the direct approach is preferred. The advantage of an extended distribution network is that marketing executives can keep a finger on the pulse of the market. Promotions and finance schemes are designed to suit the needs of local customers. In a small town in Uttar Pradesh, for instance, last year LG offered select households a free 15-day trial of a 50-inch flat screen television during the cricket season. The TV set costs close to US$ 2200, but several families took the bait and considered buying the TV – at which point the showroom staff offered them carefully planned finance schemes.

(How LG became No 1, www.rediff.com, 5th April '05)

A Game Called Cricket

Cricket, as we all know is not a sport, or a passion—it's a religion in India. LGEIL decided to leverage this national passion, which borders on hysterical fervour by sponsoring various cricket tournaments. Thus far, it had been an area where no corporate entity had embarked on in such a focussed way, in

On Quality

Over the years, LG has made many mistakes in overseas markets, learning through trial and error, and it was that experience we brought to India. We knew it was important, for example, not to downgrade the Indian market and instead to treat it just as seriously as we would any developed market. That meant preparing a full strategy and emphasizing good-quality products, the best technology, the best network, access to the best people. We have seen many Japanese and Chinese companies arriving in India, but like other foreign-owned businesses, they typically put one foot in the water to see if it is warm or cold. They have doubts. They lack determination.

One of our competitors, for example, recently shifted its factory to Thailand and is now supplying all its products to India from there. What's been different about us is that we made a full commitment-a very big investment-from the start, including setting up two full-scale manufacturing facilities. Three years ago, we invested in a new refrigerator production line and needed to buy a vacuum-foaming machine, one of the most expensive pieces of equipment for this $20 million project. We sourced the equipment in South Korea, but our local employees thought it might be better to buy from Italy. So we agreed. We sent them to Milan several times to check the machinery – no Korean went on any of the trips and they eventually made the decision to buy there. Apart from being the right one commercially, this had an obvious effect on their attitude. When the machine arrived, they worked night and day to install it – they hardly went home.

(Premium marketing to the masses, McKinsey & Co.)

India or abroad. Nonetheless, LGEIL's investments in the development of Indian cricket have been strategic from the word go.

I vividly remember the year 1999, when England hosted the World Cup, and LGEIL became the first official sponsor, along with two other corporates of this mega event. It was not a flash in the pan decision. Prior to it, the management had commissioned a host of feasibility studies, held numerous discussions within and outside the company to weigh all the pros and cons of the move, and finally decided through carefully-arrived consensus that they wanted a piece of the cricket action in India. Once the decision was made it was quickly backed by strong communication campaigns.

In retrospect, we can safely declare that the gamble has paid off handsomely. Without doubt, our association with the Indian cricket team has helped us carve a special niche in the hearts and minds of every Indian. Cricket has given us a strong brand recall. It opened the floodgates that led us straight into every Indian house. We were no longer

foreigners bombarding their homes with a slew of "foreign-made" goods. We were family.

Product Diversity

LGEIL then, as LGEIL now has always had a strong portfolio of products, viz. CTV, air conditioners, washing machines, refrigerators and microwave ovens, to name just a few. From the very beginning, we were among the few, front-running consumer durable companies in India to command such a vast array of products. The benefit is that even if one or two aren't performing very well in the market (for any reason) there are others to tide us through. In fact, there is always one product that remains "on" at any point of time in the year, so there was never a rainy season.

That said, for LGEIL, the Colour TV (CTV) segment has always been the most profitable. There have been occasions, when other products have ridden piggyback on the sales on the CTV segment, alone.

How the CTV segment became a crowd puller for LGEIL is another interesting tale. Within a few years of operation, we came to discover that air conditioners and refrigerators sold mainly from March till July/August. The sale of washing machines likewise peaked during the monsoon season. For other product categories, *Diwali* was the peak season. But CTVs continued to be sold all through the year, helping us maintain a good cash flow system.

To capitalise on this market phenomenon, another winning strategy

Playing Ball in India

We know that football and baseball are important in other parts of the world, but as Koreans we had no idea what sport was popular in India when we first arrived. Our employees decided that this was the right thing to do and thus we associated ourselves with cricket.

(K.R.Kim in an interview to Pramath Raj Sinha, Premium marketing to the masses, McKinsey & Co.)

LG in the News

It was hard to miss the ambitions of LG Electronics Inc. at the giant Consumer Electronics Show in Las Vegas in early January. LG's happy-face logo and pictures of its phones were plastered on banners running almost half a kilometer in any direction from the convention center just off the strip. Inside the hall, 42-inch LG plasma TV's displayed maps of the sprawling exhibit area. At its 17,000-square meter booth, the company showed off a plethora of new products, ranging from a $180 mp3 player the size of a matchbook to a 71-inch plasma TV (price: $77,000). All this and more was meant to outshine anything offered by Sony, Samsung, or Panasonic.

(Korea's LG: Will be the next Samsung?, Business Week, 24th January '05)

A Scorching Pace of Growth

According to a marketing guru, the rural markets have shown remarkable growth over the last few years. While the urban markets are growing at round 35 per cent, the semi-urban areas have grown at almost 100 per cent.

(LG in India, Business India, July 5-18, 2004)

India Unfolded

Indian customers are more complex than those I have encountered elsewhere. In contrast to consumers in Latin America, for instance, they are less easy to satisfy. Indeed, anyone who believes that Indian consumers are only interested in price misunderstands this market. They are very smart and want a quality brand at a reasonable price.

(Premium marketing to the masses, McKinsey & Co.)

A Lesson in Frugality

At LGEIL, demand is created by pulling in fewer dealers. This way, there was a geographical pressure to sell from one area only so each dealer reported good sales. Also, we did not have distributors, so the three per cent that distributors get was passed on to the consumers. So it was possible to sell our products at an honest price.

(Beyond the Price Event Horizon, The Economic Times, 9-15 July, 1999)

was chalked viz. to start introducing models in each category for every strata of the Indian society. The objective? Not to leave any price point unmanned for competition to elbow into.

A New Market Channel for Air Conditioners

Air conditioners, until LGEIL launched them in India, were retailed solely at technical solution shops. LGEIL pioneered the concept of hawking them at conventional mass market retail channels. However initially since the management was a little hesitant and unsure about the impact of this "C" move, they decided to go for a soft launch. Eventually the channel clicked so well with the masses that very soon LGEIL air conditioners rose to hold the No. # 1 position in the Indian market in the year 2001.

LG Air conditioner product category grew at CAGR of 50% from modest turnover of US$ 10 million in 1998 to US$ 238 million in 2006.

Note: The industry followed this sales route much later, after LGEIL had reaped all the fruits and gained an early entrant's advantage.

With Quality as Our Buzzword

Long before, we could set-up a state-of-the-art factory at Greater NOIDA or

costly equipments could get shipped in from abroad, quality remained a crucial contributor to LGEIL's success story in India. Although we were ramping up very fast, we never compromised on the quality of our products. Fact is that anything the corporation may have done during those growth years would have anyway set a precedent, but, the management was careful, not to set a wrong precedent, especially in terms of the quality parameter, realising that if we did that, in one fell swoop, we would squander away all the carefully-generated goodwill that takes years to establish. Anything less than impeccable was thus unacceptable.

Huge Savings

The US$ 420 million consumer electronics company, LG Electronics, expects to save US$ 4.5 million in 2001 by implementing Six Sigma. Last year, the company saved US$ 1.1 million through Six Sigma.

(Six Sigma to Save Rs 20 cr. for LG, Business Standard, 2nd May, 2001)

The quality systems have been in place to know how effectively the defects and variations have been eliminated. The process helps us focus on developing and delivering near-perfect products and services.

In fact the quality systems and some of the state-of-the-art plants and machinery that were later commissioned were also brought in to serve the same end, i.e. to strengthen our hold on the various quality parameters.

Rural Marketing

By the year 2000-2001, LGEIL had a strong presence throughout the length and breadth of the country. We were doing well in almost all metropolitan cities, especially in the Northern and Eastern belts of the country, although we still had some catching up to do in the South and West.

Building a Pyramid

LG reaches into the hinterland through a pyramidal sales structure. Branch offices in larger cities set up central area offices (CAOs) in smaller towns; these in turn reach out to even smaller towns and villages through remote area offices (RAOs) – at last count, the company had 51 branch offices, 87 CAOs and 78 RAOs.

(How LG became No 1, www.rediff.com, 5th April, '05)

This was achieved in 2002-2003, when LGEIL emerged as the undisputed market leader. Yet, it was hardly the reason to sit on our laurels. The problem of further growth had to be addressed and there was this pressing need to explore and find new markets. In the

A Leader's Dilemma

'When companies keep improving their existing products and services to meet their best customers' needs, they eventually run into the 'innovator's dilemma.' By doing everything right, they create opportunities for new companies to take their markets away. 'Established companies historically have struggled when trying to create new markets, wherein success seems fleeting and unpredictable,' write Clayton M. Christensen, Michael E. Raynor and Scott D. Anthony in Six Keys to Creating New-Growth Businesses

(Harvard Management Update, January 2003)

metros, although we were doing pretty well, the cost of selling was too steep to enable us to cut good profits, as our competitors were also focused on developing just these markets.

That's when Kim began to respond to the pull of the semi-urban and rural markets—the real India, where 70 per cent of the population resides. It was a sleeping giant and we were a little apprehensive about what strategies would work to wake up this giant, or whether the ideas that had worked so well in the urban marketplace would be suitable or effective for the hinterland. After months of intensive market study, it was concluded that the best way to tap this market was to do something very unconventional and bold in terms of rural marketing.

In any case, since no national-level player had felt inclined to penetrate those markets, nobody (save a few regional players) really knew what the customer there wanted, and whether some of these wants could be satisfied by the products that we already had in our portfolio, or if there was a need to improvise them further.

At this point, Kim was quite clear that if LGEIL didn't make inroads in those markets, it would not be able to ever call itself the true market leader in India.

The process was kick-started with a few feasibility studies that threw up three pre-conditions for our success in the hinterland:

- We needed to appoint Remote Area Offices (RAOs) and have amongst the best qualified and committed people for this job
- They had to be empowered in every possible manner
- The connectivity issue between the RAOs, the branch and the head office had to be resolved, which meant an additional expenditure of US$ 55,000 to US$ 66,000 per office, at the minimum

Earlier, our research had revealed that a few of our competitors had failed to dent this market only because they unwittingly made rural posting a punishment posting for some of their sales staff. Or, they floundered because they hadn't pumped in enough resources into linking their rural-urban infrastructure. In the end, although they did dispatch men to these outposts, they didn't dispatch enough material support, so the men quickly ran out of ammunition and lost the battle.

We, at LGEIL wanted to fight this battle on a different scale and with a different level of preparedness, because we were determined to score a different outcome. Armed with the three aforementioned strategies, the LGEIL management went the whole hog into the field and in one stroke, set up, not one or two, but dozen-odd RAOs in just over a year's time. In nearly eight months, we had a strong rural network in place.

Meanwhile, in the metros, while we were still engaged in cat fights with our competitors and where, all of us were staying afloat either by cutting prices or offering bigger discounts to our trade partners and bleeding in the effort to remain afloat and retain our market share—in the rural sector, we were unchallenged and pretty much left to follow our own devises, with very little competition. We became dominant on this turf in less than a few years' time.

Going Rural

The locations we chose for both the branch offices and the shops were determined by the likely demand for our products and the viability of operating there. To me, for example, it was always obvious that if we could develop a presence in the interior, in rural areas, where 70 per cent of the Indian population lives-we would have an advantage. In the beginning, our people used to tell me, "you can't go tour that location: it's not safe." Before we opened our branch office in remote Rourkela, for example, they said that even Indians can't go there because of the security situation. After three or four years we finally went ahead and discovered that Rourkela is a big town with lots of buying potential on account of the steel plant located there. The same arguments were used about Guwahati and Jorhat, where we also have branch offices.

(Premium marketing to the masses, McKinsey & Co.)

In any case, by this time, we owned a premier, well-established brand and commanded the necessary infrastructure, so it took little effort to glide over and gradually overcame all the other Mom and Pop outfits that were earlier ruling the roost in rural India, and come up trumps in the characteristic LGEIL way!

Dual Marketing

As would be clear from the preceding discussion, so far, we had only incurred cost and made little profit in executing all these expansion plans so now was the time to reap the fruits of our earlier labour and the only acceptable way of doing that was without compromising on the quality factor. That left just one option — nip corners at the cost end.

Since this was also the only route that would not have diluted the perception of the premium brand, the corporation started making serious efforts at cutting cost through product innovation. A portion of even these savings we intended to pass on to the Indian customer.

In short, our endeavour was to try and improve our market share without denting our profitability. We had already reduced our overheads by increasing sales and through optimum utilisation of our installed capacity, now the next logical step was to attack the cost end of our production.

Strong on Fiscal Discipline

According to Crisil rating rationale, LGEIL has followed a conservative financial policy since its inception, with strong capitalisation levels and a minimum reliance on debt. Even though it has grown at a compounded annual rate of 80 per cent since 1999, it has maintained working capital discipline, with around 90 per cent of its durable sales being on cash-and-carry basis. This has resulted in strong cash accruals, which have been ploughed back into the business to fund capacity expansion.

(LG in India, Business India, July 5-18, 2004)

This LGEIL concept that was later lauded by McKinsey as- *Premium marketing to the masses* and was communicated to the customers in the form of a strong marketing campaign—more value at much less than the price!

With this done, the affordability of our products became the bulwark of all our marketing campaigns. This strategy caught our competitors unawares. A few reacted by announcing price cuts of their own, not realising

that LGEIL was not just cutting prices we were also focussing strongly on cost innovation at our end. So, while their price cuts led to more losses and pressures on cost, ours led us to more customers and increased profitability. In the end, with this simple strategy, we managed to kill two birds with one stone.

Some of our competitors later saw through our game plan, but by then it was too late for them to follow suit and in any case, they still hadn't unravelled the full strategy, which was, not to cut prices uniformly across the country, but stagger them across different segments.

Very cleverly, while we were launching premium products in different categories, we were also varying our pricing strategy from state to state that kept competition guessing and on tenterhooks all the while. I remember how one MNC sought to hike its subsidy from the parent company simply to counter our price strategy, at the core of which lay simple fiscal discipline measures that they too could have followed, but probably couldn't because of lack of focus or strong execution.

Time and effort were both in our favour. And, the rest, as they say, is history.

About Cost-cutting

The only thing to bear in mind is that you cannot launch a cost-cutting campaign before defining your growth strategy. That's like driving your convertible into a car wash with the top down: you may clean up some problems, but you'll create even more. In short, companies that lack a clear growth strategy shouldn't start blasting away at their cost structure without strategic intent. That can destroy a business, causing irreparable harm to the company's product portfolio and service infrastructure.

Marketing Strategy

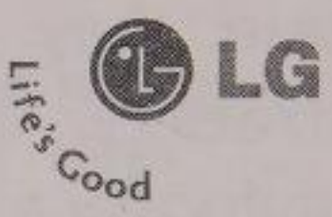
Initially, when LGEIL started in India the marketing campaign was centered around product setting, technological superiority and feature base.

Later, (after about 1 ½ - 2 years), the campaign focussed on "Health" platform, CTV focussed on Golden eye (focussing on eye's protection), Refrigerator on PN system (preserve nutritional value of food preserved in the refrigerator), Washing machine focussed on Fabricare (taking care of cloth and hence skin of those who wear clothes). Air conditioners focussed healthy air (focussed on fresh air), Microwave oven on healthware

(on nutrition cooking) and Vacuum cleaner focussed on healthguard (for sanitised cleaning).

The campaigns focussed on health platform till it went down the psyche of the customer. Later the campaigns did not follow any such common platform. Campaigns were launched on the basis of product in question.

Marketing campaigns of LGEIL over the years have been one of the most successful.



3

Speed in Chaos

IN THOSE DAYS, PERFORMANCE AND QUICK EXECUTION WERE THE NAME OF THE GAME

SYNOPSIS

- *The initial days were indeed chaotic but the management did not lose focus and sense of purpose and made headway in many directions.*
- *Innovation became a buzzword at LGEIL where the objective was to put together a highly motivated workforce with performance as the acid test.*
- *The management's firm stand to not to bow to the whims and fancies of local pressure groups pays off with smooth operation having been ensured at the Greater NOIDA plant. Many Corporate Social Responsibility (CSR) initiatives were also undertaken in the region.*
- *The author reads hidden patterns in the chaos on a hindsight and brings out how an enduring organizational philosophy came to be put in operation.*

3. Speed in Chaos

IN THOSE DAYS, PERFORMANCE AND QUICK EXECUTION WERE THE NAME OF THE GAME

When you are caught in a tornado, you have to press all your efforts and resources in one direction otherwise you can get swept away in the storm.

About Dreams

Each Day Dream a Little Dream, Even if it is only in your head it will soon be in your life.

The first two years of our launch in India were akin to being caught in a tropical storm, so our immediate objective was to conserve and consolidate for the battle that lay ahead. Consequently, despite the best intentions of the management, true empowerment could not percolate down to the last rung of the organisational hierarchy, until a few years later. Before that, power remained vested in the hands of the Vice Presidents (VP), who made all the decisions on behalf of the 18 branch heads.

LG: Looking great		
Category	Markeshare in volume terms	
	LG	No 2 Player
Refrigerators	29.4	17.3
Colour TVs	26	17.3
Microwave ovens	36.7	22.6
Washing machines	30.6	16.3

(These are the latest market statistics for the year 2006 – Source GFK-ORG)

K R Kim was however quite conscious of some of the adverse fallouts of this policy, such as:

(a) Slow decision-making: the files kept piling on the desks of the VPs, who had to cope their own packed schedules. This in itself would not have been so bad, except that branch level issues were usually market-linked, and had a direct impact on the customer, so when these decisions got delayed, it affected the market.

(b) Over time, the VPs got so bogged down with this additional work, they had little time to devote to formulating strategic macro-policies, which eventually began to hamper the functioning of the whole organisation

(c) Because of the lack of direction and a consistent, proactive approach, branches often followed their own counsel with the result that sometimes the right hand didn't know what the left was doing and vice versa. Thus often there was no internal consistency.

In the last case, one couldn't blame the branch heads entirely, because at the beginning of the financial year each one of them had been specifically directed to use all means at his/her disposal for drawing maximum results, which they couldn't do, when they had to wait for clearances that took ages to come.

Some measures were of course being taken at the corporate office to expedite issues, but quite often, it turned out to be a case of too little and/or too late. Thus, although we acknowledged the merits of decentralisation and pursued it as a cherished goal that we hoped to accomplish in a few years, in those years, because of the other exigencies, it appeared to be a distant dream in terms of actual implementation.

An Advertising Blitzkrieg

LG is one of the most aggressive advertisers in the white goods industry, spending close to 5 per cent of its revenue on marketing activities – that's US$ 28.5 million last year.

(How LG became No 1, rediff.com, 5th April '05)

It was much later, during 1999 to be precise, when the management, overruling stiff resentment from senior quarters (who misinterpreted the move thinking that their wings were being clipped) appointed group heads for various product categories. (PGHs)

These appointees were asked to report to the VP (Sales & Marketing) but gradually, they began to enjoy considerable autonomy within their own domains.

For starters, a fixed, scheme budget was allotted to each Product Group Head, on account of which, this position later evolved into one of the most powerful in LGEIL's organisational hierarchy.

Scheme budget, as the name suggests, is allotted only to PGHs at LGEIL. They can use this budget as per their discretion, which gives them a lot of operational leeway and financial flexibility.

All these changes, though implemented in a graded, piece meal fashion upset the then Head of the Sales & Marketing division so much, he began to feel insulted and alienated. He failed to understand that these measures were not being taken against him personally; nor were they a verdict against his performance, yet despite intensive counselling from the top brass; he quit the organisation, in a huff.

His departure was in a way good, as it immediately fed momentum into the reform process that had already been set in motion, and the decentralisation started in right earnest. The result? Total operational control got vested in the Product Group Heads of various categories. This was a huge leap forward in faith not just in terms of its dramatic impact on LGEIL's sales performance but also in terms of strengthening the morale of our sales force. They knew they were finally being lauded as the backbone of LGEIL.

Soon after, decision-making became more market-driven as it went down to the branch and PGHs levels at LGEIL. The earlier uniform policies started being discarded in favour of those that were more of local interest and relevance. This instilled stronger motivation and commitment in the foot soldiers. For the first time, their voices were being heard and "dissent became a voice of progress," at LGEIL, to borrow a catchphrase from the Tata Group, who were my first employers.

The next phase of growth came when the budgets moved down from the Group Heads to the Branch Heads, which took another year to happen. This time, however, the management was better prepared. Anticipating resistance from the various Product Group Heads, the budget transfer was introduced through the systems.

Why Must Change be Changed?

In *Revival of the Fittest: Why Good Companies Go Bad and How Great Managers Remake Them (Harvard Business School Press, 2003)* Donald Sull writes that embracing change is not a norm at established companies in traditional lines of business. 'For most executives the primary dilemma is not resisting the temptation to change but breaking free of the old business strategies that have worked so well in the past but are no longer effective.' He uses the term *active inertia* for firms that respond to new competitive threats by doing more of the things that have worked previously even though the environment has now changed.

Following this amendment, individual branch offices could address all their issues on a day to day basis, without any time loss. This implied that they didn't have to wait for any clearances (especially on minor matters) from the Group Heads and speed of execution became the hallmark of LGEIL.

More progress came when powers got delegated to the sales executives, who, as a consequence were given absolute command over their respective territories. Now, we could make quick market adjustments in the shortest possible timeframe. What our competitors took ages to implement, happened in a jiffy at LGEIL!

Flexible Approach

Flexibility and adaptability have proved indispensable for LG Electronics India, whether in the showrooms or on the shop floor.

(How LG became No 1, rediff.com, 5th April '05)

Needless to mention, it also somewhat relieved valuable human resource at the top. The seniors could now take a broad, strategic view of the various micro-p[illegible]cies, read markets and initiate proactive action. It put them in a different role altogether, i.e., the role of coaches, advisors and facilitators.

Without doubt, accomplishing this level and depth of decentralisation in such a short span was tough for the senior management. As always happens with a reform project of this scale, it was fraught with many foreseen and unforeseen consequences. In keeping with Murphy's Law, there were also a few unintended consequences (such as the exit of that Sales & Marketing Head) but eventually everything began to fall in place and we could take the aftershocks of these changes in our stride, because we realised that these changes were for the good of the whole organisation and benefited no one in particular.

To be sure, there were people in the top management who still felt upset and threatened, while at the lower rung, were those who felt unsure and unsteady with the new responsibility but with trust-building efforts and lessening trepidation, authority finally got delegated to the lowest denominator at LGEIL.

In hindsight, everybody at LGEIL has come to appreciate these changes and attribute the fast growth of LGEIL to the unqualified success of this decentralisation programme, mainly because it has helped us grow both as professionals and as a people.

Hidden Patterns in the Chaos

As mentioned somewhere before, this was a highly turbulent phase in the growth of LGEIL. It was a time when numerous activities were unfolding simultaneously. New channels of sales and operations were being established, policies were being framed and executed, the factory was being set up, and our competitors were doing their utmost to throw us out of gear. In fact, they were leaving no stone unturned to hit us above and below the belt.

This was also a time when LGEIL's internal culture was weak and vulnerable. There was a lot of fluidity and operational overlap between and within departments. At times, this turned out to be a highly chaotic state of affairs, but what saw us through this confusing phase was the high energy, zest and zeal of our people. Somehow they sensed that they were on to something big.

It was primarily because of their support and commitment that following patterns gradually began to emerge in this chaotic environment:

- We all started sharing a big vision for the company.
- We were highly focused as a team on how to get ahead of competition through legitimate, market and environment-friendly policies, whatever unethical means they might be adopting to throw us out of the race.
- There was full consensus within LGEIL that we needed to cut all the bureaucratic flab and metamorphose into a lean, mean machine, ahead of everybody else in the market.
- We were determined to constantly innovate ourselves, our systems and our practices—a policy, which continues to pay rich dividends to this day and minute. This vision had a strong foundation and percolated straight from the CEO.

Pitfalls of Not Having a Strategic Plan

A 2002 Cutter Consortium survey found that 39 per cent of respondents (all IT companies) had no formal strategy at all. No wonder they met the fate they did. They just hadn't taken care to venture far enough out of the trees to see the forest and the fire engulfing it.

The potential value of scenario planning is also underscored in a survey of 90 Fortune 500 companies conducted by Bain in 2001, just as the US economy was experiencing its first significant downturn in more than a decade. These companies went on hiring thousands of people just months before they had to lay-off tens of thousands. A robust scenario planning could have helped them avoid the wasted resources such an about-face entails.

Making Innovation the Buzzword

Everything Must Have a Reason

IBM's chief executive John Akers once said, "IBM never reorganizes except for a good business reason. But if they haven't reorganized in a while, that's also for a good business reason."

Innovation has, and will always be a key strategy at LGEIL. We knew from the very beginning, that we would not be able to realise any of our ambitious goals, if we didn't continuously strive to better ourselves with each passing day and after each milestone covered. This ushered in the concept of Total Productivity Innovation (TPI) 50. It simply means that all systems, processes and employees at LGEIL must improve their productivity by at least 50 per cent, each year—an apparently, humanly impossible mission. So there were times, when we had doubts we would be able to accomplish even five per cent of the set target! It appeared impossible. Yet, such was the energy level at LGEIL at that time, that we decided to give TPI 50 our best shot, and wonder of wonders! We could achieve it. In fact, we have been over shooting this target, year after year at every crossing and end of the lane. All it needed was a mindset change, once that was accomplished, the goal was accomplished.

To Boost Top-line Revenue, You Need A Sales-oriented Culture

There was a time when customers clearly identified themselves and stayed loyal to a few preferred brands. Unfortunately, future customers will not be so obliging because the market is now crowded with ever superior products and services and they have several options to choose from. To survive in such a tough market, a company will not just have to keep looking for prospective customers, but also study the new needs of the existing customers, which can effectively be serviced.

To a large extent, quality-tracking tools, such as Tear Down Reengineering (TDR), 100 PPM, etc., have helped us along the way, but we would still give more credit to the human minds than to these technological tools for helping us in meeting this 50 per cent target.

Human mind is indeed a very powerful faculty. When we accept a challenge and throw our heart, mind and soul into its pursuit, any hurdle can be crossed. The barriers lie not outside but within us. Once those barriers are identified and systematically removed, things begin to happen, almost of their own volition.

Innovating to the nth level

The hard work was on the features, which were carefully chosen — and adapted — to appeal to Indian audiences. For instance, Kim points out that consumers in southwest India prefer big sounds and big bass outputs. Accordingly, LG India created Ballad, a flat screen television model that sells only in the subcontinent and comes equipped with 2,000-watt speakers.

Similarly, refrigerators in India have smaller freezers and big vegetable compartments — Indians prefer fresh food and a significant proportion are vegetarian. Colours, too, are chosen keeping market preferences in mind. White refrigerators, for instance, don't sell well in Kolkata and Punjab — while the sea air in Bengal corrodes the paint, the masalas used in Punjabi cooking discolour the fridge. So LG offers a range of bright colours in these markets. The cricket game in TV sets wasn't the only "go local" innovation: LG also offered on-screen displays in five languages and large capacity semi-automatic washing machines that would suit Indian families.

The research for these adaptations and innovations is done in-house. LG invests significantly in local R&D — last year the company spent over US$ 22.2 million on research.

"We want to be independent of Korea," states Kim. It's working towards that: already 70 per cent of its product line is produced locally, with the rest imported from China, Korea and Taiwan. In refrigerators, 95 per cent of the components are localised. All of which also help keep prices down.

(How LG became No 1, rediff.com, 5th April 2005)

Audit and Support

Going back to the time in LGEIL's history when our sales were picking up sharply, and systems were getting streamlined with commercial software packages, there were still many loopholes that remained unplugged.

To begin with, there was this pressing need to constitute a full-fledged audit team. It was decided from the word go that the purpose of auditing would not be so much as detecting errors as looking for solutions, so that remedial action could be taken immediately. The idea was not to be prescriptive but to be preventive.

So while deciding on the scope of the Management Audit & Support (MAS), we had to clearly delineate between operations and controls and recognise them as two separate objectives. Excellence in performance could not be attained merely through control mechanism. It had to come more through systems and system adherence had to be sustained with passion and conviction and an overriding belief that these systems did indeed work.

In contrast, control mechanisms can hinder performance. In their place certain fool-proof systems must be set in place, after carefully weighing all the pros and cons of the situation. One also has to see that

these systems are in no way conflicting with the core values of the organisation in a manner that impacts customer (internal and external) satisfaction. In short, rules of any kind had to be made for the convenience and satisfaction of customers and improving quality of performance and productivity and not to hang like a Damocles' sword over their heads.

Individuals above Teams

Strategic decisions often require such trade-offs in terms of long-term versus short-term goals, such as planning or maximising profits versus increasing shareholders' wealth. One such dilemma that we faced entailed choosing between team and individual excellence.

I believe there are various ways of building an organisation. Some do it through team work, but we at LGEIL have always believed in individual excellence, empowerment and role delegation. Each unit of production mattered so the focus was on strengthening the individual building blocks of LGEIL. The systems established were such that each individual is now recognised as an authority figure in his/her domain and enjoys full autonomy in that area of jurisdiction. He or she has adequate elbow room to manoeuvre things, as he or she deems fit keeping in mind the growth of the organisation. Our employees thus are not puppets on a string or cogs in a giant wheel; they are complete wheels in themselves. They are what kept a bullet train called LGEIL running full steam ahead.

There may have been some hiccups with this policy initially. Any organisational system that relies heavily on individuals (as opposed to teams) would always have ego clashes and intra-departmental conflicts to deal with. There would always be people going for each other's jugulars, but, these problems are not so big that they cannot be managed with good planning and policies. There is simply no need to cut individuals down to size to manage these issues, as some organisations do — learning to manage them is more than adequate.

Our core objective in following this policy at LGEIL however was very different. The management wanted to develop strong teams through strong individuals and not vice versa. We also conduct workshops and trainings on team-building, such as taking them out on trekking tours and adventure activities, but in doing all this and more, our main focus has always been the individual and not the team unit. The management believed that if an individual unit is productive, effective and functional, the team that he or

she is a part of would also be productive, effective and functional. The logic is as simple as that.

Initially, we came up with a very simple but effective conflict resolution mechanism based on our study of human psychology. We called it an "inter personal room." Early on, the LGEIL management had decided that if two people clashed on an issue, the practice of reporting the matter to the boss would be discouraged. Instead the problem would be reported to the HR division, where the staff would lock the two, bickering executives in a room with coke and pizza. We then leave them to their own devises to sort out the issue on their own terms. They are permitted to walk out of the room only when the issue is finally sorted out. Invariably, they tumbled out, an hour and a half later, joking and smiling.

On surface, this may appear as a very simplistic exercise, but, fact is, we have managed to solve major scuffles with this simple device.

Strong Employee Foundation

The enormous speed at which LGEIL grew in those days would not have been possible without logical and rational systems. The management knew they had to do something remarkably different from competition. So we set about recruiting people, who among other things, were perceived to be high on:

- Physical energy
- Emotional energy

Next, they were provided with:

1. A big vision
2. Melt-ins so that all decisions could be made by consensus and nothing got unilaterally imposed on any one
3. Each was given absolute freedom within certain pre-defined parameters and held accountable for results.

Meanwhile, the tools that the employees were encouraged to use mainly comprised of;

1. Creating total transparency relating to the company's performance including a discussion of sensitive issues, such as profitability

It's Important to Cut Red Tape

Successful companies know how to keep things moving. If they share a habit, it's the habit of habit-breaking. They are deliberate bureaucracy-busters.They delight in smashing pettifogging encumbrances that a manager once called "playing office."

2. Sharing with them news and details of the future line-up of our products
3. Showing genuine respect and acceptance of everybody's ideas and suggestions
4. Reposing total trust and faith in their intentions, endeavours and capabilities
5. Building strong communication links (these details are discussed in a later chapter)
6. Proactively sorting out employee grievances, even when immediate solutions were not within sight or when an issue went beyond the scope and policies of the organisation

A Milestone is crossed – The Factory gets established

The day we were all anxiously waiting for was finally upon us. Within nine months of the land acquisition at Greater NOIDA, the first CTV rolled out on the conveyer belt. LGEIL was breathing life.

Even after this milestone was crossed, the going, as we expected was tough in the beginning. The Greater NOIDA Authority was helpful but not very effective at removing all the bottlenecks in our path. There was still a lot of red tape to cut before we could launch into full-throttle production. To compound matters, in those days, the law and order situation in Greater NOIDA was nothing to write home about.

There were reports of gang lords demanding ransom from industrialists in return for an assurance that they would be "protected" and left to operate in peace. Mahendra Singh Bhati, a local mafia leader had recently been killed by a rival gang, causing a vertical split in the main gang, fragmenting it into several small factions, each with its own appointed gang lord. This meant more trouble and confusion for the industrialists and the local administration.

In the beginning, we too received some threat calls, which were promptly reported to the police, but, if I recall correctly nothing actually

came out of it. Gradually, on our own, we learnt to differentiate between thugs and those who approached us on behalf of the local villagers with a set of genuine demands. Arm-twisting, as mentioned before, could never work with us, but collaborative problem-solving did. The policy as laid down unambiguously by the top management was: Don't cow down to any unreasonable demand; so we didn't.

If I remember correctly, we faced three violent "*gheraos*" (cordoning off) of the factory in rapid succession, which may have been enough to intimidate others, but we held fast to our guns and refused to bend to their will. The threats kept mounting and there were also a couple of organised attacks on our senior personnel, but we stayed adamant and continued to follow the law of the land in letter, as well as in spirit.

Things began to change for the better, three years later, during the tenure of the then SSP Anand Kumar and Brijesh Kumar, who was then the CEO & Chairman of Great NOIDA Authority. If there is one person who can be given full credit for the latter-day turn-around of Greater NOIDA and its present evolution into a "mini Singapore," (that's the official tagline) must go to Brijesh Kumar.

During my numerous interactions, I found him to be one of the most upright, progressive, target-driven bureaucrats, which makes him a rare breed in India. He was a no-nonsense, result-oriented person. His transparent, clean image earned him a lot of respect in the land, as he went about introducing sweeping reforms in the region, many of which brought the common man, the government and the industry representatives on one platform. Eventually, we all began to work in tandem with one another.

Complementing Brijesh was Anand Kumar, the then Senior Superintendent of Police, who was an equally efficient and dedicated officer. He did a lot in improving the law and order conditions in the area, but after Anand Kumar's transfer, conditions gradually started reverting to the original.

Committed to the Region

Once a senior government official came to see me at the factory. I was at the other end, engaged with the CEO, trying to identify an appropriate dining space for our truck drivers. It took some time before I could come out to meet this gentleman, but when I apologised and explained him the

reason, I was surprised by what he said. His words were: "LG can never be in red because, when you give, you get more in return." That's the Law of the Universe, more powerful than any Law of Business.

Later, we went on to establish a free-of-cost canteen service for our truck drivers, their helpers and other casual workers. Over time, we also provided them a place to rest, with rows of single beds, air conditioners and TV sets, where they could relax while their trucks were being loaded.

The other industry representatives in the area thought we were spoiling our workers and setting tough precedents for them to follow, but, later, they too realised the merits of such gesture. The cost of such measures is small compared to the huge goodwill that it generated amongst the staff.

Meanwhile, we went on to extend the scope of our Corporate Social Responsibility (CSR) activities that covered 47 villages in the vicinity. This was just a small beginning to what followed later. I will cover that and a lot more in the following chapters.

LG
Life's Good

4

The Organization

ANYONE WHO HAS READ THOMAS L. FRIEDMAN'S *THE WORLD IS FLAT*, KNOWS THAT LGEIL'S RACE WAS ALWAYS TO THE TOP

SYNOPSIS

- ***Many factors played a part in LGEIL's journey to eventually becoming the market leader in consumer durables leading to a fast evolution of the LG brand.***
- ***Of these. humility, no-excuse management, no-frills company culture, no-substitute-for-quality attitude, concomitant thrust on exports, strong communication, speedy decision making and sound cross-cultural management are worth noting.***
- ***The company sought increasing production capacity and broadbasing the product range with the Pune plant going onstream in Western India in 2004.***

4. The Organization

ANYONE WHO HAS READ THOMAS L. FRIEDMAN'S *THE WORLD IS FLAT*, KNOWS THAT LGEIL'S RACE WAS ALWAYS TO THE TOP

LGEIL's journey from 1997 led us through many easy, as well as difficult times. During this interim, we attempted a few experiments, made a few mistakes and crossed quite a few hurdles. Above all, we also crossed a few significant milestones and made some path-breaking discoveries on this new path that we have continued to evolve to this day.

Over the following few pages, I will attempt to give a description of all that's unique about LGEIL's organisational culture that sets us apart from competition. Some of the details of the organisation are given as follows:

About the awards	Annexure 4.1 (*Page 163*)
Milestones	Annexure 4.2 (*Page 165*)
Sales Infrastructure	Annexure 4.3 (*Page 166*)
Turnover trend	Annexure 4.4 (*Page 167*)

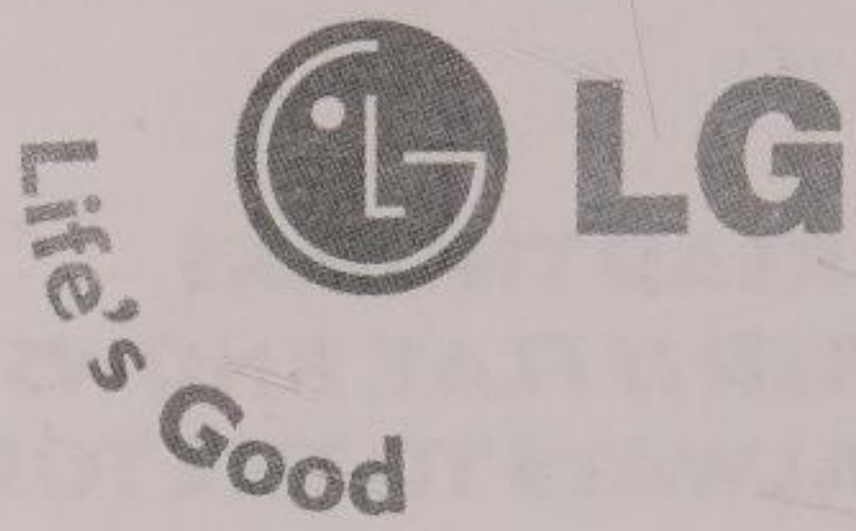
The Problem with Poor Execution

A surprising number of failures result from sending the product to market before the packaging, pricing, and potential profit margins have been sufficiently analysed. In other cases, products get sent to market because the engineering or manufacturing department says it can make them, even though the research indicates they won't sell. The idea behind the product isn't the only aspect you need to research. McMath emphasises. "Many good ideas founder because of poor execution."

McMath, Thom Forbes, What Were They Thinking? Marketing Lessons I've Learned from Over 80,000 Market Innovations and Idiocies (Red River Press, 1998)

LG's Logo

Any attempt at understanding LG would be incomplete, without understanding LG Logo: *Life is Good*. Our vision, our corporate philosophy and our core values are all encapsulated in this simple logo. The circle in



the logo represents the globe, i.e. the full reach of our aspiration to emerge as a global company. It also implies the face of a smiling customer, conveying that we are extremely customer-focused, or that we represent a world that is futuristic, youthful and humane.

The Bull's eye on the circle represents the organisation's single-minded focus on goals and determination to achieve results with a smile. The white space deliberately left at the upper right end stands for adaptability and the hidden potential of creativity. The red colour conveys friendliness and LG's commitment to quality, while the grey stands for technology and reliability.

Products or other exterior manifestations of a company to my mind do not reveal its true character, which is manifest in its value system, practiced philosophies and accepted norms. Product, People, Systems are all outcomes of this core value system and this is what the LG logo conveys.

A Day in the Life of a Sales Executive at an LGEIL Branch

■ Reach office at 8.30 am ■ Morning Standing Meeting 8.50 am ■ One-on-one with Business Manager (BM) at 9.30 – 10.00 am (Planning and discussing cases) ■ Reply to mail till 10.30 am ■ Go to market ■ Come back in the evening to the office ■ Discuss various issues with the BM ■ Discuss collection issues with the Branch Accountant

An Executive in the Corporate Office

■ Reach office at 8.40 am by Company Bus ■ Breakfast in the morning ■ Morning exercise at 8.50 am ■ Standing meeting 9.00 – 9.10 am ■ Activities as required in the day – Meeting / discussions etc. ■ Lunch 1.30 – 2.00 pm ■ Leave Office at 6-6.30 pm

Product Group Head

■ Reach office at 8.30 am ■ Breakfast in office ■ Morning exercise at 8.50 am ■ Standing Meeting at 9.00 – 9.15 am ■ Interacting with various branch offices 9.15 – 11.30 am ■ Meetings with customers and other departments ■ Lunch from 1.30 pm to 2.00 pm ■ Visit to the market

(Note: All the three plans are for days when they are not traveling. However, they travel quite a bit in a month)

LGEIL is like a gushing, turbulent river, cascading at full length and speed from a rugged mountain. A powerhouse of raw energy, it resounds with noise but it also carries a lot of vitality. The waves do not move unilaterally but at times collide head-on with each other, but, that's O.K, so long as the river keeps flowing in one direction. In any case, there are two strong bulwarks on either direction to contain all the roaring action of the mighty river.

A new employee joining us gets a rude shock initially. The focus, the energy, the passion and the strong execution that are the hallmark of LGEIL are perhaps too overwhelming, but performers are generally able to survive these challenges. The LGEIL culture is explained in clear, unambiguous terms before we take an employee on board. Most accept and join, but once they are in, they begin to sense the meaning of these challenges. The more ambitious and driven among them are eventually able to adjust to this culture; while those who are a little weak in these attributes, need a bit of hand-holding, initially. Yet, if they are not able to cope, they quit.

Targets at LGEIL, as reiterated in the chapter before are stretched and taken seriously by everyone. I remember K.R. Kim once declaring, "Our organisational culture is our major strength. Every employee feels that the organisation's targets are his personal targets and tries to realise them."

Through various forums and personal communications the employees are inspired to meet these complex challenges with the use of certain untried, innovative strategies. So there are processes and techniques to help them out, such as the Six Sigma, the TDR process etc., that we'd talk about in a subsequent chapter. In this matter however, I've always felt that although processes are important, an employee's personal attributes are far more critical and top among these personality attributes is passion and commitment to excel with a missionary zeal.

In my opinion, Indians are possibly among the most creative people in the world, blessed with strong analytical abilities. They are also well-endowed in the lateral thinking domain and no one can actually beat them at ideation, yet, when it comes to execution, they have a lot to learn from the Koreans.

Biographies of most innovative people viz. Einstein, Edison, etc. show that they not just thought of innovation, they also breathed and slept innovation. Isolated from the world, they slogged on their ideas around the

Creating Harmony

LG was founded on the principle of 'People Harmony': the idea that the workplace should not be a place of conflict, but rather an environment of collectivism and tolerance. Over the years, the group had developed a reputation with employees as a 'mild' and 'stable' employer. The result was an internal culture that mirrored its strategic market approach.

(Extracted from a December 1996 London Business School Case Study)

clock in order to generate results. That's exactly the sort of atmosphere that we have tried to provide to top innovators at LGEIL.

Teams working on innovation are assigned separate rooms where they work. They are also provided with a guest accommodation; a place where they can work in peace, sleep or slog. We also make special transport arrangements for them, just so that there is no non-conducive factor to their ideation process.

Eventually, when the job is done, there are a slew of awards lined up for them — cash prizes, hefty bonuses or foreign trips with families.

Humility – The Top Attribute for Success

Many of my contemporaries don't see a connect between humility and innovation, but I consider it a pre-requisite for any kind of discovery process in any endeavour, anywhere in the world. Arrogant people who think they know everything make little progress in life. There is often no room for improvement in them. Such a mind-set is a road block to self improvement and even creates impediments to innovations happening around them. At LGEIL, we actively avoid taking such people on board.

It may appear strange, but, despite our strong brand equity, we do not go shopping for talent to tier-one management institutes. A majority of our fresh Management Trainees are Post Graduates in Business Administration, hand picked from tier-two or tier-three institutes and then groomed from bottom-up, in-house. This policy makes our search a little harder and our induction plan a little longer and a little expensive, but, over the years, we have been so satisfied with the results of this process that we would not like to abandon this approach for scouting talent that is high performing and results-directed. The outcome is well worth our efforts.

Going parallel with this attribute of humility is the LGEIL concept of empathy or what we call as the practice of 'forgiving management.' Even big mistakes can get written off at LGEIL if the person's true intentions

are to rectify that mistake. The moment an employee accepts that he has faltered, the mistake is given a quiet burial and nobody broaches the subject again.

'No Excuse' Management

As a natural corollary to the concept of "forgiving management' we have 'no excuse management' i.e., as a thumb rule, the management does not accept any excuses from under achievers. This may appear as harsh, but the fact is that if on some account, a commitment has not been met with, the least the management expects from the employee is an acceptance of that failure. To err is human, but mistakes must be owned and not covered up with excuses. Only after a person accepts a mistake can we begin to discuss the next plan of action.

A No-Frills Company

All said and done, we are a no-frills company. LGEIL is not the kind of organisation that would put out glow signs over the meeting venue if these are going to be of no use after the meeting is over. Encouraged to be careful in the use of our resources, we are very mindful of any kind of wastage: of man, material, machine or time.

We would not develop material, products that are non-functional. Even our national-level meetings are simple affairs without the use of fancy damasks, doilies, flowers, silver cutlery and sundry other non-utilitarian table

Big Brother is Listening

Big brother is listening-and at LG Electronics India Pvt. Ltd., no one is complaining. On November 18, the Delhi based Korean major kicked off its global management initiative, the Branch Sponsoring System, in the Indian operations too. Under the system, all of LGEIL's 18 branches and 17 stock points in the country have come under the wing of four 'sponsors'. Each sponsor is a Vice President at the Delhi corporate headquarters, but heads a non-marketing function. A sponsor is like a father to the branch. The concept arose out of need to foster closer ties between branches and headquarters. LG realised that due to geographic distances, corporate communications- both up and down- could get diluted and garbled between the headquarters and the branches. Moreover, with branches usually focused on marketing functions, there is danger that issues in functions like customer services, logistics, accounts or human resources, are ignored.

(How LG bridges communication gap between HQ and branches, The Financial Express, 11th Dec. 1997)

embellishments. If a prop has both aesthetic value and some functional utility, it will definitely find its place of pride on our table, but art simply for art's sake just doesn't fit in with LGEIL's scheme of things. And the reason for sporting such a Spartan outlook for our business affairs is also simple: We realise that every embellishment carries a cost, whether it's declared upfront or not. There are no free lunches in this world.

On occasions, when we have had to outsource our event management to another agency, we have made sure to brief them that it has to be a very cut-and-dried affair and no frills. Even if they offer to give it to us as an add-on, we have refused it and on the strength of this denial, gone ahead and negotiated a discount on the deal.

This value of frugality is executed across the organisational hierarchy, from the CEO to the peon. Our meetings are remarkably simple, crisp and short affairs that end as soon as the business gets over. Because we unfailingly hold review meetings thrice a week, our presentations have to be precise, using no more than 3-4 slides, or better still, just one slide! The focus is as much on conserving time as on conserving human resource on such wasted efforts.

Here, let me cite you an example of a Standing Meeting which is invariably called on the first working day of every month. It gets over in less than 15 minutes, even though the agenda covers all of the following:

1. Prize distribution to over 100 employees
2. The President & CEO's address
3. A Manager's address on some special theme
4. A worker's address

A Lesson in Change Management

Failure to develop an appropriate recipe for change, however, could result in either the collapse of the existing fabric on which employee commitment is based or the mere mimicking or 'reverse engineering' the cultural models employed by other global corporations. As Michael Byungnam Lee, explained, 'making the change is extremely difficult. It is almost an art. We must be 100% awake and conscious all of time.' To succeed, the business must leverage the strength of its people to differentiate itself in the world market.

(Extracted from a December 1996 London Business School Case Study),

With Negotiation as the Buzzword

One characteristic feature of LGEIL's organisational strength is that no one is allowed to seek approval for a project or a scheme from a member of the top management, without first negotiating the deal with the department concerned. For instance, if the request relates to a pricing issue, the Product Group Head, instead of approaching the CEO, will first have to discuss and settle the matter with the Corporate Planning team. Only if the latter agrees to the proposed price cut and the sales team is also galvanized into action (to compensate for the revenue lost) the proposal will move to the CEO's table for his final seal of approval.

Similarly, if the sales department wants to hire more hands, it will have to negotiate the demand with the HR. The HR might first suggest another means of optimising the existing manpower, failing which, it may concede to increase the head count, but without HR's consent, the proposal cannot straight be mooted with the CEO.

The point is that at LGEIL, departments negotiate on issues on a regular basis without any direct intervention of the top bosses. This builds in sensitivity for the constraints faced by the other departments, as well as an appreciation of their roles and business objectives. On the flip side, had all decision-making been vested with the top management, the departments' role would get so reduced that they'd merely be puppets on a string, which is a situation that we have consistently avoided at LGEIL for its obvious fall-outs.

Beware of Your Own Bias

Ernest H. Forman, co-author of *Decisions by Objectives* (World Scientific, 2002), concurs, "We are all prone to go with what worked out well and we are led even further astray if that past outcome has worked out by any chance. It's in your brain for the next ten years that your great insight produced the favorable result, resisting all logic that suggests its inapplicability." Dubbing it "anchoring bias" Hammond regards it as an unbelievably powerful influence that can impair your decision-making prowess.

'The only way to counter it would be to look for disconfirming evidence, forcing yourself to list as many ways that your top-of-mind precedent is a match as it is a mismatch. Then try to list as many or more ways that it's a better match with your current decision than you listed for your first precedent,' recommends Stauffer.

'The first precedent that comes to mind is often nearer in time to the current decision than it is closer in similarity. Get past this 'recentness bias' by coming up with at least two events from the more distant past that seem any way applicable, then try to make them work better,' he explains.

Local Empowerment

Local empowerment is a very important part of our strategy, and I would say that 99 per cent of our decisions are made independently. At the moment, we have only 20 Koreans here in India-most of them R&D-out of a total workforce of 2,700. The expatriates are called in only when there is a problem, and they are generally consultants, or advisors, to the business. No Korean works in the administrative branch offices we have set up around the country. And even at the corporate level, in India every decision is made by Indian employees.

(K.R. Kim in an interview to McKinsey & Co.)

A Hot Shop of Creativity

As reiterated before, if innovation is all about ideas, we Indians are pretty good at coming up with winning formulae but rather vague at activating them. The lesson that we have learnt at LGEIL is that ideas are not meant to be locked up on an ivory tower; they have to be brought to Ground Zero and nurtured and blossomed into fruit yielding trees. Above all, this visualisation has to be concretised at every step of the way from the top to the bottom man of the hierarchy. Let me give you an example:

In the consumer durable and home appliances industry, maximum sales are logged by the end of each month. This sometimes leads to logistics problems, issues like BBND (Billed but not delivered) often piles up so much load on our systems that the operation flow slows down to a snail's pace, throwing a spanner in the entire billing process.

To counter some of these problems, a new billing concept was introduced. Instead of one, we now have four closings in a month, namely on 7th, 15th, 21st and 28th. The 25th is the closing date for the distributor. The immediate outcome of this new system is that it has brought down top-sided, month-end billing from 80% (in 2001) to 50% (at present). Happy with the results, we are still working on improving this system in order to further improve our secondary sales ratio and collections.

A second example is from our grievances cell. If an employee laments, "I am not happy here," we don't accept such a vague complaint on face value. Instead we prod the grumbler to suggest ways and means of improving his work condition and we solicit very specific ideas for improvement, such as "I would be happy if I had a table the size of 6'x4" with a lamp of 40W power bulb and a silver photo-frame and a flask of water." It is to emphasise that suggestions can't be vague. Instead they must be specific, precise and executable.

Internal Competition

Over the years, LGEIL has been developed as a business entity that is not only aggressive in the market place but also highly competitive internally, with every department pitted against every other department.

This implies that the performance of each sales branch or department is benchmarked against that of the other and the top performing sales branches or departments are rewarded, the one that falls to the bottom of the pile is advised to focus on improvement. This is a continuous, never-ending process at LGEIL.

In case of bonuses too, when 100% targets are achieved, the bonus commensurate not just the employee's own performance but also the targets met by others in his/her department. It's a very logical, number-driven, assessment system that does not put a cap on excellence; it merely ensures that if you are running a race, your position automatically gets benchmarked against the best performers in the race. Simple, yet effective.

A Meteoric Rise

The respect LG is getting these days is largely due to Global CEO S.S Kim. The son of a poor farmer, he started out as an LG engineer in a factory making refrigerators. He spent 27 years climbing the corporate ladder at the appliance division before being appointed the unit's chief in 1996. Under his leadership, the white-goods group turned out double-digit profits, confounding skeptics who thought LG could never compete with low-cost Chinese producers. Key to his strategy has been the shift of about 35% of production to China while focusing on higher-end appliances at Korean factories. The division overtook Samsung's appliance unit in 2000 and in 2004 jumped into the No. 3 position globally (after Whirlpool and Electrolux), while churning out the cash LG needed to invest in mobile phones, digital TVs, and flat-panel screens.

(Korea's LG, Business Week Online, January 24, 2005)

Execution

Prompt execution, as mentioned before is what differentiates us from competition. In my view, strategies can be copied, but not execution. Execution as a core value has to be built into the organisational fabric from ground up, meticulously and strategically. This is what separates an average from an ace company.

Some of our employees who left us and took with them a few systems and processes of LGEIL have for instance attempted to implement these processes at their new workplaces but have failed in doing so, primarily because they could not take with them the spirit of LGEIL. The point is that

if you have to evolve as a Leader, you have to create new databases and not blindly ape what has been created by others.

This would of course require some *Foot Marketing*, which is another insightful term coined by Kim. What it implies is a salesman's practice of travelling on foot, interacting with all the trade partners and customers, face-to-face. Kim always believed that "Focus on frontline people is very important as they are the ones who are directly in touch with the customer." In the final analysis, the empowerment of the foot soldiers is what makes our execution strong and difficult to copy by our competitors.

Change Management

Crisis often creates big changes. In our industry, we have been facing challenges every year either on account of a general slump, due to the entry of new players, or as a consequence of competition embarking on new strategies.

So far, we have managed to maintain our *numero uno* position in the market, but we know that no one can stay No#1 forever, so, the least we can do in the present is to attempt to stay No. # 1 every year. This implies the introduction of new and newer strategies that have the potential to surprise the market and these changes in our internal and external processes must be introduced consistently, year after year.

Change is anyway not a simple, piecemeal process. It's a relentless, painful haul, especially when people have to acknowledge that whatever they have learnt or were doing from wisdom gathered over years of practice is not relevant any more.

To be able to accept such a verdict means they have to subdue their ego and this does not come easy to most of us. So the path of least resistance that we take at LGEIL is to invest in systems, culture and customer experiences, so that change flows automatically from the core of the organisation.

In addition, every year, we encourage every department to come up with a Big Innovation idea that represents a strategic leap in our functioning. The idea is then mulled over by the entire department and if found appropriate, the required infrastructure and support are sought and provided to implement the idea.

The CSR Activities

At LGEIL, we have always believed that a portion of our profits must get ploughed back into the society. For this, we hold medical camps every month in each of the 49 villages in Greater NOIDA. We now have a full team of medical doctors, veterinarians and gynaecologists etc. to attend to the villagers. We have also held polio awareness camps and organise six to seven cataract treatment camps in the catchment area.

Our sales branches also contribute to the CSR activities. Six years ago, we opened a mini hospital in Greater NOIDA, and another one in Ranjan Gaon, Pune on 16th Aug 2006. At both these units, doctors offer free consultation to anyone who chooses to walk in. The charge is Rs 2 per patient inclusive of medicines. On an average, about 200 people visit Greater NOIDA and another 125 the Ranjan Gaon mini hospital in a month.

Like Family

We always give people at least three opportunities, and we do not move people from one place to another place just because they do not perform. We try to treat them like family. What's most important for success is passion. On the whole, the Indian employee is well educated, but to succeed in our business we don't need geniuses-just average brains and big hearts with a lot of passion.

(K.R.Kim in an interview to McKinsey & Co.)

Employee-orientation

The myth, and it's a strong prevailing myth in this country, is that companies that are very target-driven, are not employee-friendly. Even if this were to be true, LGEIL is an exception to that rule. Our philosophy is that because our targets are sacrosanct, we have to be an employee-driven company. I strongly believe that in order to be a performance-driven company, you must first be a welfare-driven organisation. And, the support must also be extended to their families because we do not see a huge disconnect between an employee's work and home life. And, this support is provided in an equal measure to everybody, regardless of the person's rank or position in the organisation.

At our Greater NOIDA factory for instance, we run a cafeteria where the same food is served to everyone. It may also come as a surprise to know that all our employees, regardless of their ranks, travel by air. The objective here is to save time and not cost. Cost is of course important, but time is

more important. The buses that ferry our employees to office come equipped with all the basic (I didn't say luxury) amenities.

Immediately, on boarding the bus, they are provided with daily newspaper and magazines. Then as they disembark, they are served piping hot tea with breakfast, free of cost.

At 10 am, we serve them light refreshments of biscuits, hot savouries and tea. After lunch, around 4 o' clock, they are treated to a serving of fresh fruits, in any quantity. And just before they leave, they are once again served light snacks. The company's investment in all this comes to around Rs 70 per employee per day, but we consider this a worthwhile investment into their good health, which is of course very important to us. Even our casual and contract employees are served highly subsidised meals, a practice which, we have noted is not followed in other factories.

Amongst the concierge services, our employees get their telephone, water, and electricity bills paid. We also pick up their theatre, cinema and train tickets and if there is any plumbing or wiring to be done at home, the concierge service takes care of it and the problems get fixed in a jiffy.

Our Core Values

A set of three core values that we follow at LGEIL are:

- Innovation
- Openness and
- Partnership

Yet more important is the fact that the organisational culture derived from these core values is not restricted to LGEIL's internal environment, it also extends to our channel partners, i.e. our dealers, distributors and vendors.

Innovation

Innovation, I have come to realise, does not come on its own. It flows from a team culture and calls for total management commitment. The stiff 50 per cent target improvement practice earlier and the now 30 per cent that we follow every year is not possible without innovation that makes skilling and re-skilling easy. Over the years, innumerable such structures and forums

have been established by the top level management and departmental heads which facilitate innovation at all levels of the organisation.

In this genre, I would specially like to mention our newest Blue Ocean Innovation strategy, the Fast Re-engineering Projects and Tear Down & Re-engineering activities, besides the Six Sigma tools, that are not just text book strategies; these are practiced both in letter and spirit at LGEIL. (Some of these innovation tools will be discussed in depth in the chapter on HR)

Blue Ocean Initiative

Blue Ocean was introduced at LGEIL in 2006. It's a creative new style of management that opens new market vistas and invents new system to maximise management efficiency. In its final outcome, Blue Ocean attempts at making competition irrelevant.

In LG's context, Blue Ocean is represented in a 2 by 10 logo. It aims to position as among the Top # 3 companies in the industry by the year 2010. By this period, we hope to double our revenues, profits and shareholder value. The core philosophy under this "leaping into the future" programme is:

- Think New and, most importantly,
- ERRC, i.e. Eliminate, Reduce, Raise and Create

LG's Blue Ocean strategy, implemented across the world focuses on creating high growth and high profitability in five key areas: Product, business model, system, processes and people. The outcome is to help us create differentiated value for the customer, raise our job expectations, increase our work efficiency and build a strong and winning team spirit at LGEIL.

Know Thy Customer

Harvey MacKay in *Swim with the Sharks* suggests a list of 66 attributes that one can discover about one's customers and keep it locked in a private file. At LGEIL, we try doing the same.

Transparency and Openness

We firmly believe that a culture that does not permit transparency bottles-up thought processes and stifles communication (both upward and downward) and erodes the trust placed in different hierarchies of the organisation.

Not just this, a transparent culture also helps top management tap into the emotional world of the bottom-rung employees, in the process getting to know their thoughts and ideas better and at the same time managing to drive strong motivational spirit into the highest to the lowest denominator. Above all, it puts in place, a fast decision- making process.

What we have observed at LGEIL is that if we create a structure and implement a work style that does not punish dissent, a transparent culture begins to get established virtually on its own, percolating down to the bottom of the pyramid. One, of the start point for bringing about transparency is through the physical infrastructure, so everyone except the Vice Presidents and above is housed in an open-plan office at LGEIL. Other channels of creating a barrier-free environment are the fun and discussion forums, such as pizza lunch with the MD, standing meetings, melt-ins, knowledge sharing sessions, vendor and dealer meets etc.

Striking Partnerships

At LGEIL, the policy is the reverse, we partner our employees through profit sharing and bonuses, but we don't wax eloquent about it. This instils a high level of trust and ownership in them towards their targets and towards the company. It has increased target-orientation in our company to an extent that after a while, employees themselves begin to clamour for stretched targets.

Meanwhile, to ensure that our vendors also deliver in terms of cost, quality and schedules, cross-functional teams have been established that routinely interact with them on specific projects in order to improve their work conditions and train and develop their personnel.

For strengthening our potential for sales, we have taken up Product Training activities with dealers, where we share the USPs of our products so they are better able to represent us in the marketplace. Lastly, for developing quality consciousness in our vendors, we have undertaken initiatives at our vendors' end, such as 100 PPM movement, Six Sigma development, cost cutting activities etc.

There is No Substitute to Quality

Quality is perhaps the most cherished value at LGEIL that does not flow through systems alone. It has been brought about through dramatic mindset

changes and hard discipline. Following are some of the quality initiatives that we continue to undertake at LGEIL:

CPQ (Customer Perception Quality)

The objective here is to perceive and improve quality systems for products through customer surveys. Customers from ten major cities are picked at random and our staff makes monthly calls to them to gauge their experience with LGEIL products. The service call to non service call ratio comes to about 40:60. There is a set questionnaire on which the customer is quizzed and based on their responses, the quality of our product is adjudged and the CPQ calculated. This value of the CPQ is reviewed every month with the top management team. The most recent CPQ ranking of our products is as follows.

05	2	1	2	1	1	2
04	5	5	5	2	4	-
Status	REF	AC	WM	MWO	CTV	GSM

**Source: TNS*

Q Museum

Sometime ago, there was a need felt to establish a central forum for discussing quality issues among LGEIL stakeholders in order to prevent failure recurrence. That's what gave birth to Q Museum.

In layman's terms, the Q museum displays defects and does cost analysis for critical failures relating to the field and the factory. It also develops a data base for all products and analyses the "Recurrence Prevention System."

ICTS (Indian Customised Testing System)

The biggest strength of the various quality tools employed at LGEIL is that they have all been customised to the Indian market needs. The climatic conditions in India for instance are very extreme. We enjoy extreme cold and summer conditions, punctuated by months of intense humidity. Power fluctuation is also part of our daily life. Factoring these into the ICTS design standards, products have been designed at R & D that can withstand huge variation in environmental conditions.

Achieving this was by no means easy or simple. It necessitated in-house designing of various jigs, field and test conditions, accurate simulation, testing and re-testing. Meanwhile, vendor audit and support systems to train vendor employees on the use of these quality tools have also been put into practice.

The Quality Approach

Basic Support	T5S	
	Inspection System	
	6 Tools	
Full Support	Loss Improvement (Le-5)	
	T P M	
Innov. Activity	6 Sigma	Process fool-proofing
	Test Infra	Tier 2 Supplier Audit
	Q F V	Realiability Q contracts
	Vendor GQA Implementation	
Future	DOL Strenghtening	
	COQ concept at Vendor end	

Our vendor audit system helps us in identifying the worst suppliers in our group. Quality Managers from LGEIL are then assigned to them who train and discuss Line Return (LR) and Lot Acceptance Rate (LAR) problems and solutions with them, every month. If, for some reason, a vendor is unable to come out of the Quality Focussed Vendor (QFV) band for three consecutive months, he or she gets dropped from our network.

The 360 Degree Product Audit

This is used to detect problems relating to part, process, design and inspection. As part of this process, QA (Quality Assurance), e-Source Production and R&D staff sit together to review samples from the ready-to-dispatch lot and propose improvements, which are then reviewed by the top management.

With Quality as a Bulwark

Price the most important P? Wrong. At LG Electronics, if quality comes first, its own people a close second.

The R&D Centre

LGEIL's Research and Development (R &D) centre, armed by over 150

The Genesis

Chairman LG Group Mr. B.M. Koo (4th from left), Mr. S. S Kim (3rd from left) Mr. K. R. Kim (3rd from right) alongwith President of South Korea, His Excellency Mr ROH Moo-hyun and first lady.

Evolution

View of Greater NOIDA factory under construction. Built over 47 acres of land, the factory complex was completed in a record time of nine months.

LGEIL set up its second factory at Ranjangaon near Pune in June 2004. Ranjangaon site in view.

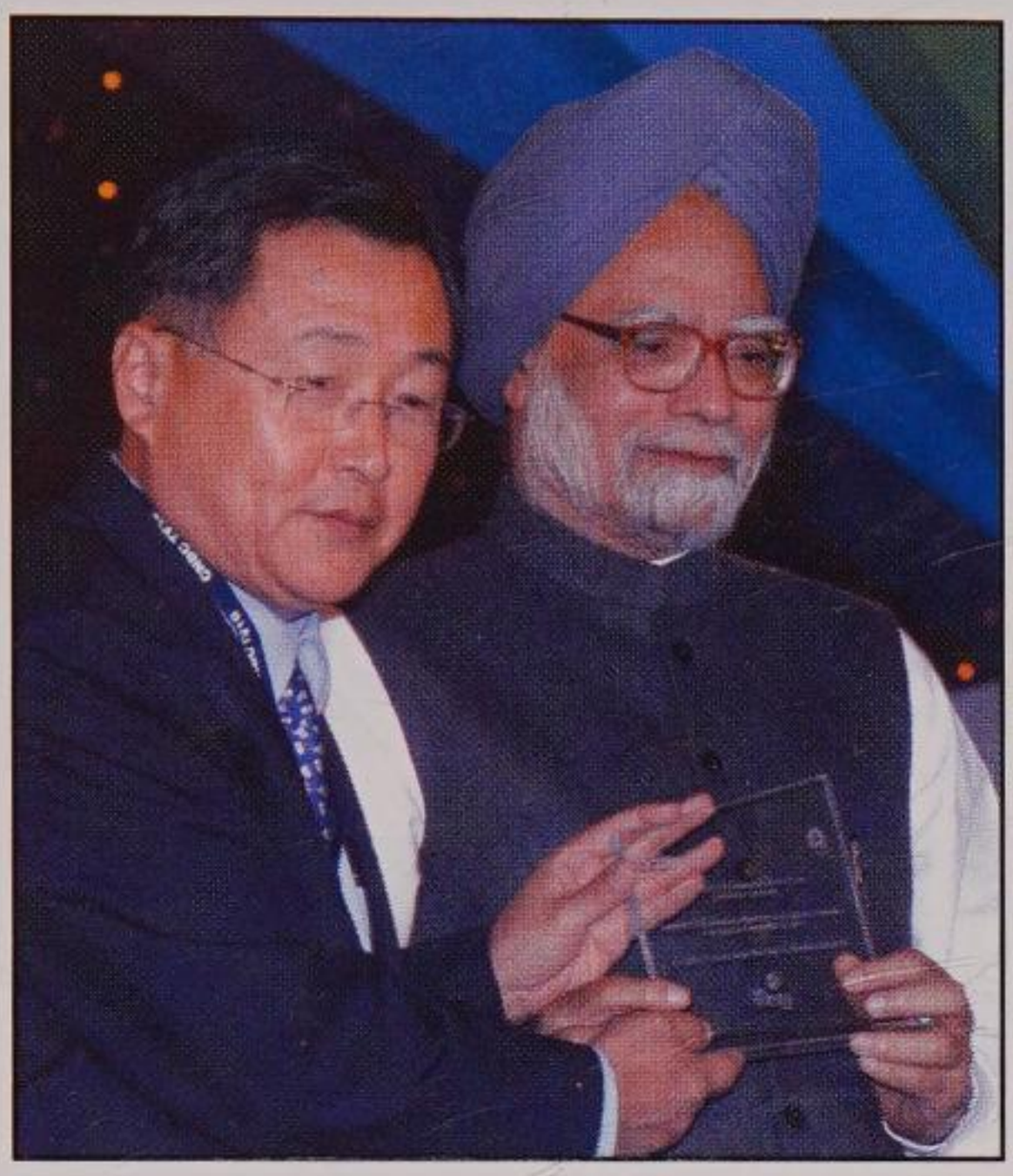
Panoramic view of Ranjangaon factory. Spread over an area of 52.4 acres, the sprawling complex houses over 550 employees with product line comprising CTVs, GSM Mobile Handsets, ODD products and refrigerators.

Chairman LG Group, Mr. B.M. Koo (third from left) with dignitaries and LG top brass at the inauguration of LGEIL Pune Plant on October 6, 2004.

Packing section of CTV line at Greater NOIDA. LG found that the Colour TV delivered round the year sales and tried to come up with a model in all key price points. It won market leadership in CTVs for LGEIL.

Greater NOIDA Factory Garden soothing mind and spirit. LGEIL believes that a happy employee is a great employee. The company's internal customers are no less important!

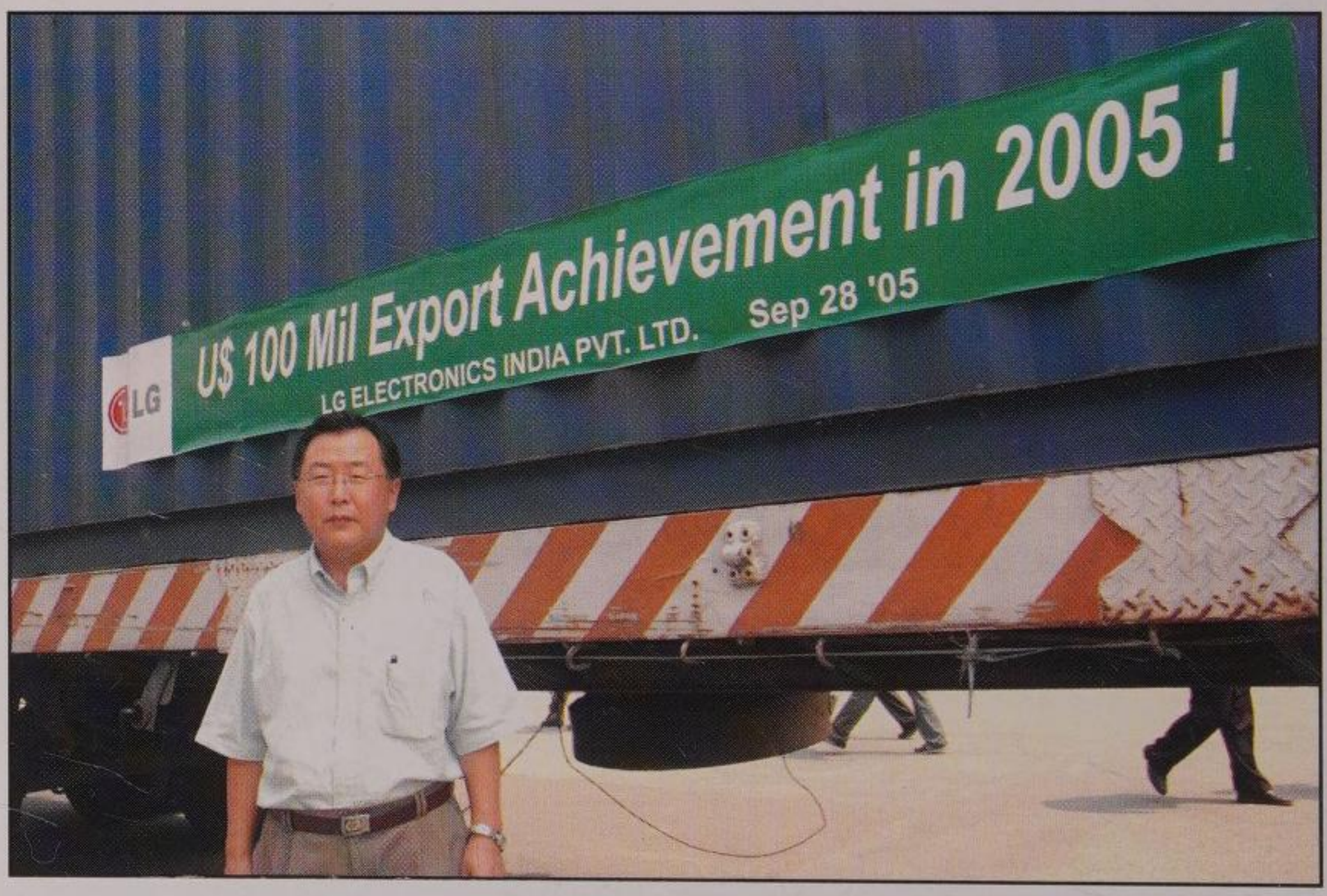
Milestones



Mr. K.R. Kim, Managing Director, LGEIL receiving an award from Prime Minister Dr. Manmohan Singh for Excellence in Corporate Leadership and Entrepreneurial Spirit, established by CNBC-TV18 (2005). Lately, Mr Kim's enterprise has been recognised by both print and electronic media.

Mr. S.S. Kim, Vice Chairman and CEO, LG Electronics, Mr. K.R. Kim, Managing Director, LGEIL with author. Hands on management is a key feature of running business at LG Electronics.

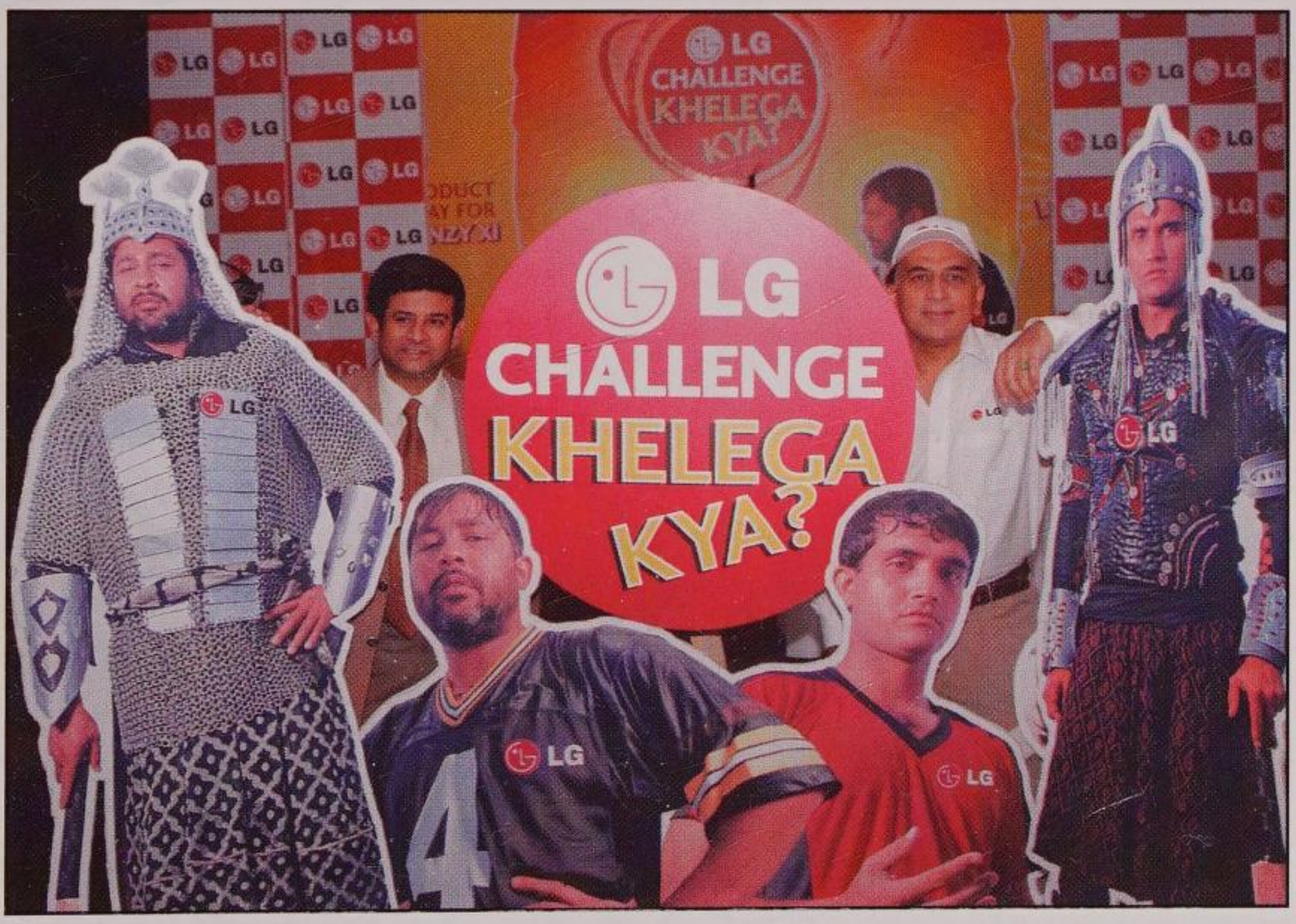
Mr. K.R. Kim, managing director, LGEIL travels to various cities, meeting LGEIL's employees in sales offices, dealers and customers directly. Here he is seen with a dealer.



To take care of ups and downs in the Indian market LGEIL has built capacities for exports to neighbouring countries. It was a high point in its history when in 2005, it achieved a US$100 million export target.

Association with Cricket

As a part of our strategy to promote LG through Cricket, we built the world's largest cricket bat. This was highly appreciated by our valuable customers.

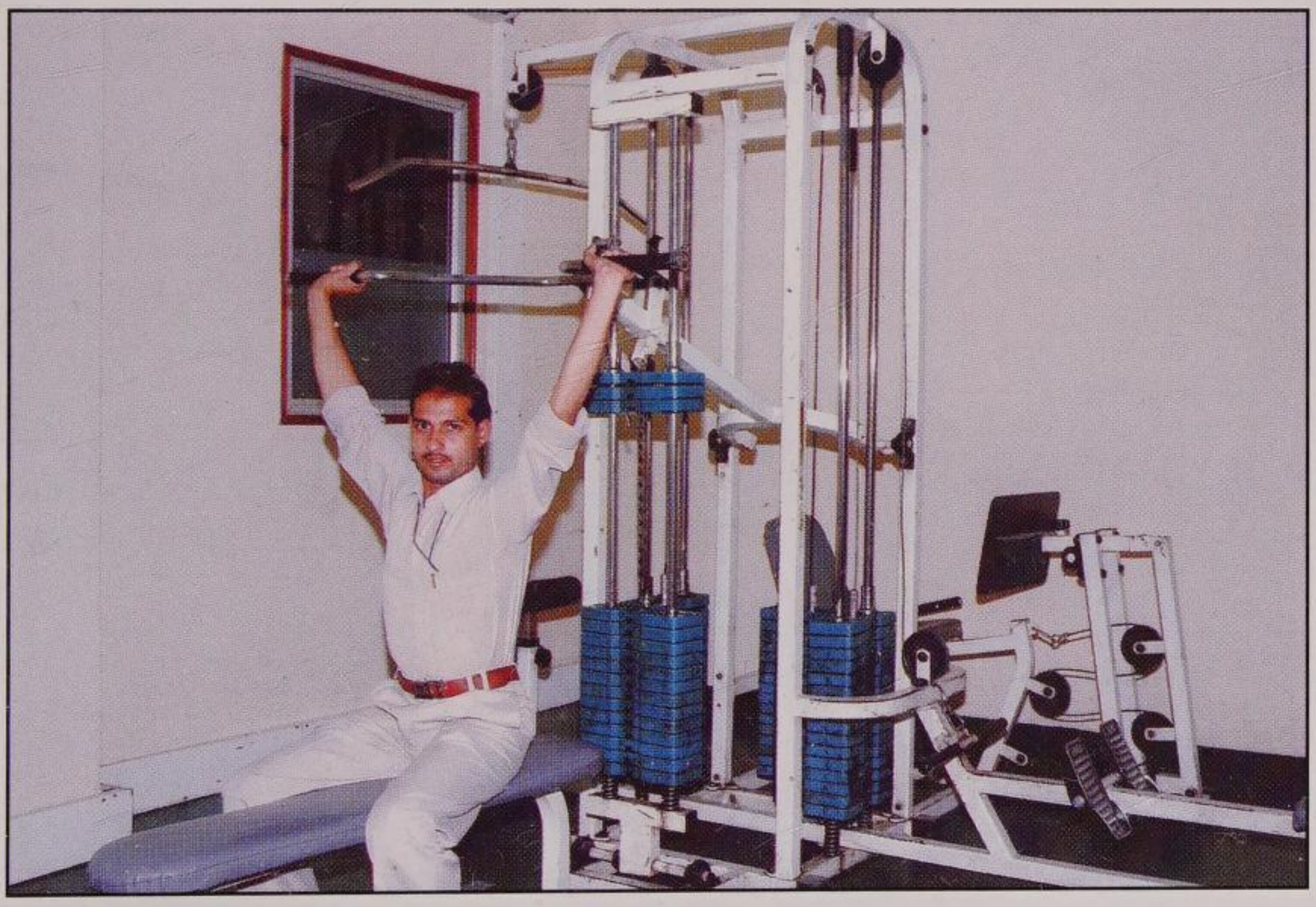


One of our many promotional campaign centered around cricket between India and Pakistan.

Through sponsoring World Cup in England in 1999, LGEIL showed that the best way to slip under the Indians' skin and from there leap straight into their hearts was through the game of Cricket! Mr. K.R. Kim with former captains of Indian team.

Life beyond the Workplace

Mr. K.R. Kim, MD, LGEIL giving away award at a Standing Meeting, held on the first working day of every month. It gets over in less than 15 minutes where over 100 employees are given prizes in recognition of their spirited performances.

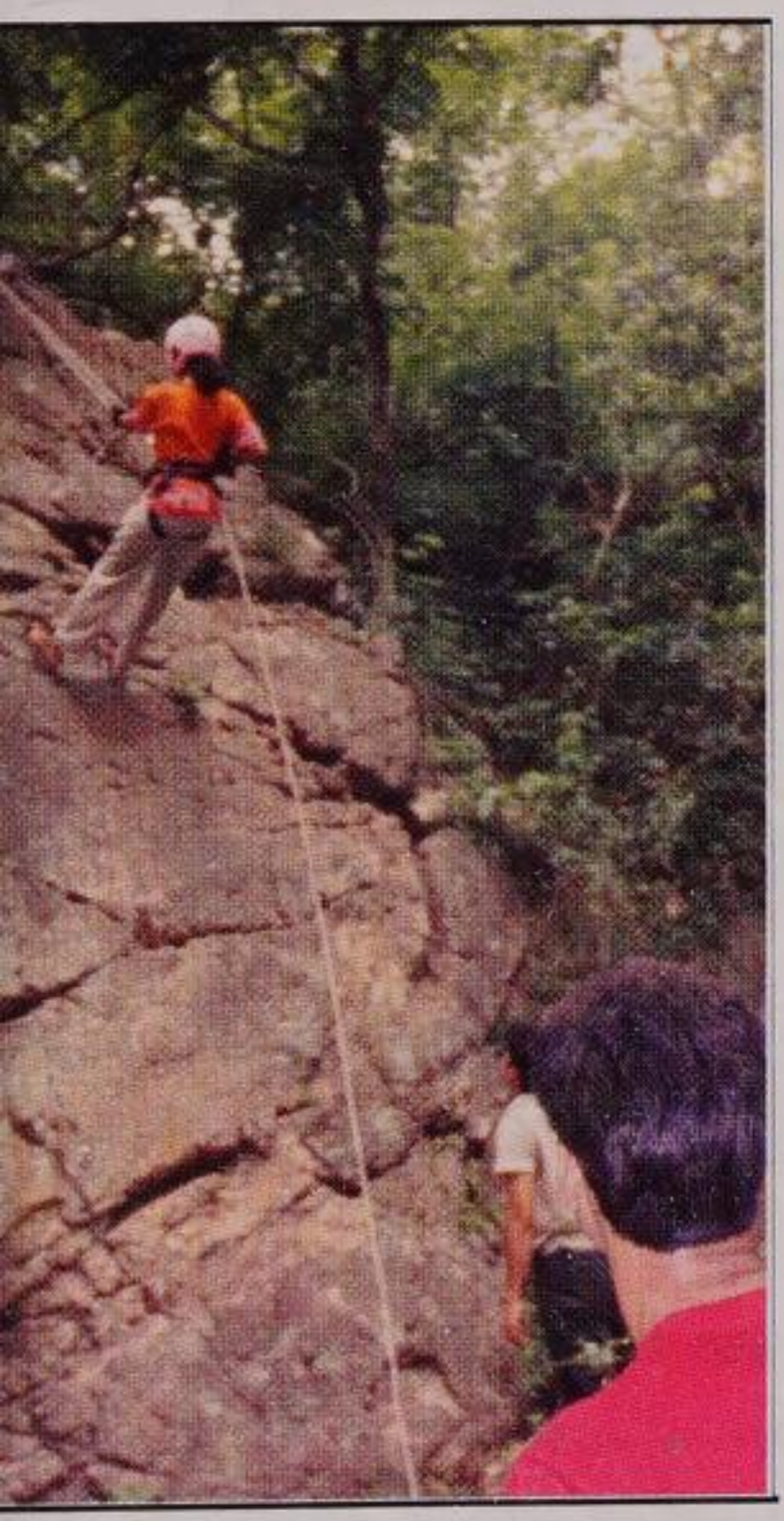


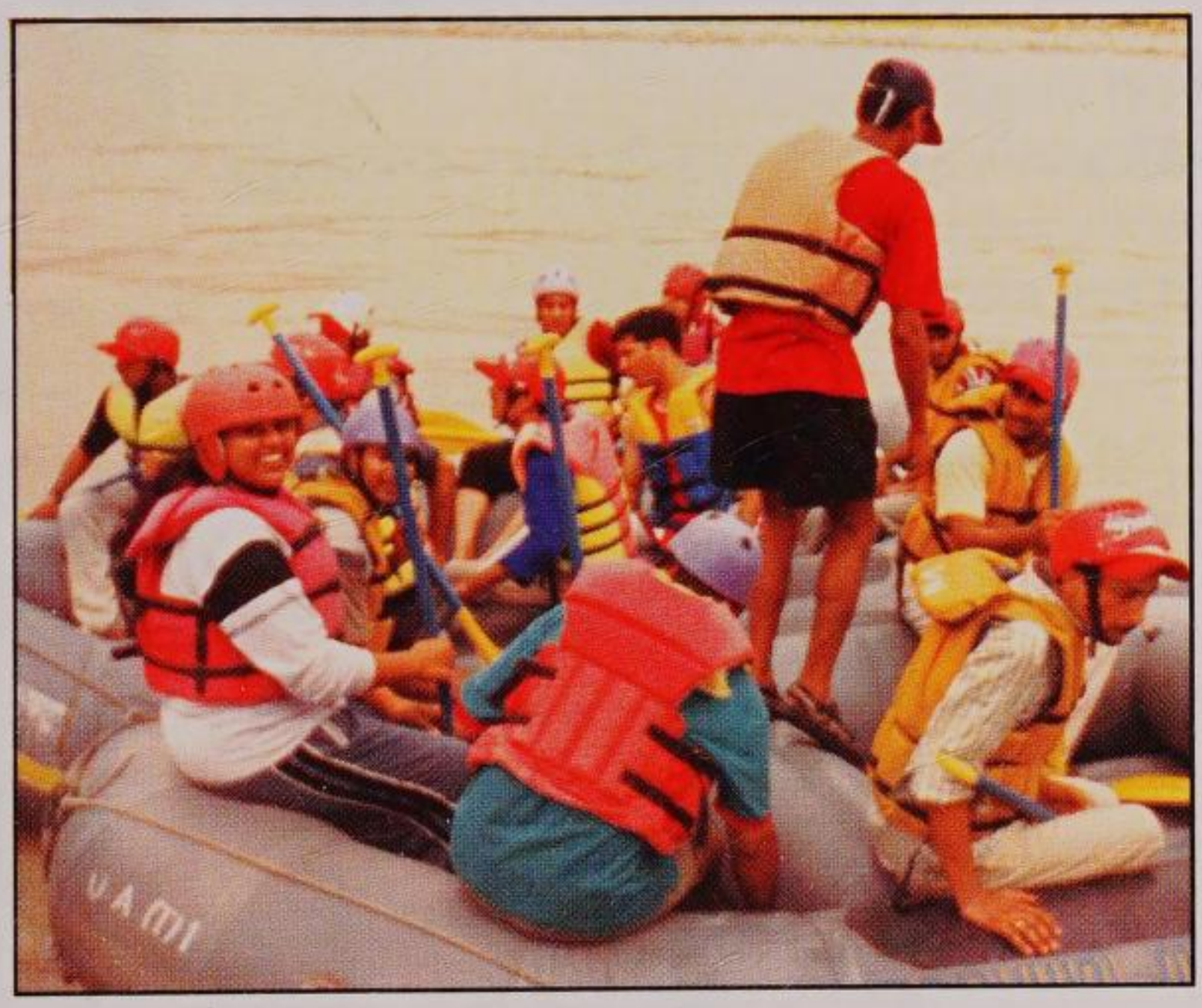
A healthy mind resides in a healthy body. The factory gym at Greater NOIDA ensures that workers pull above their weight when at work.

Canteen at LGEIL's Greater NOIDA factory is well-equipped to arrange for lunch and dinner of 1500 employees. Three menus served include special, low calorie and normal menus. The canteen is run with latest gadgets and modern management principles.

Nukkad Cricket (or Street corner Cricket) at Greater NOIDA factory premises. Long before 'fun at workplace' became a catchphrase with BPOs, LGEIL has always practised it.

Greater NOIDA factory medical room. Easy recourse to medical care keeps employees free of worry about minor ailments, injuries and mishaps.



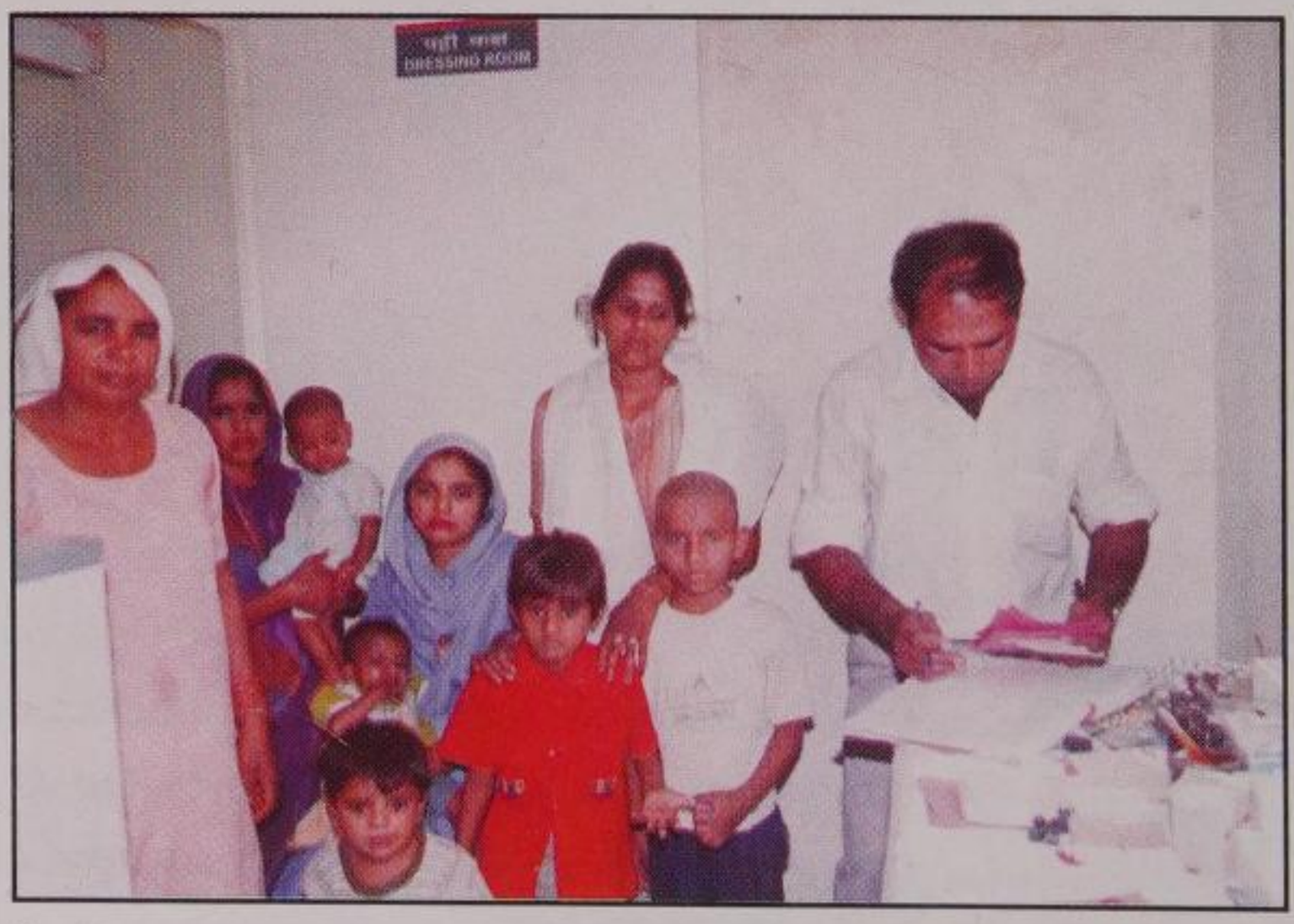


To attack the left hemisphere of brain governing our emotions and intuitiveness, the LGEIL management aims to prod the mind through strenuous physical activities. Mind innovation and 5S training are known to have changed fixed mindsets. LGEIL executives engaged in river rafting and rock climbing.

Service to the Humanity

Blood donation by an employee. The management encourages social responsiveness among the LGEIL workforce.

Sakipur Dispensary A place signifying LGEIL's CSR initiatives at Greater NOIDA.



About six years back LGEIL opened a mini hospital in Greater NOIDA. On an average, about 200 patients avail the services in a month. Patients from the neighbourhood at Sakipur dispensary.

technical hands is recognised by the government of India. Since inception the LGEIL management was very focussed on having a self-sufficient R&D outfit that would help us customise our products to local market needs.

Details of major innovations (productwise) that have rolled out of this R & D centre are annexured as follows:

Colour TVs	Annexure 4.5 (*Page 168*)
Washing Machines	Annexure 4.6 (*Page 169*)
Air Conditioners	Annexure 4.7 (*Page 171*)
Refrigerators	Annexure 4.8 (*Page 172*)

The Pune Factory

LGEIL set-up its second factory at Ranjangaon near Pune in June 2004. Spread over an area of 52.4 acres, it is a sprawling complex that houses over 550 employees and has lines for the following category of products: CTVs, GSM Mobile Handsets, ODD products and refrigerators.

Exports

Exports started in a humble way and could cross US$ 2.2 million in 1999. But in recent years backed by world class manufacturing facility, strong R&D teams and quality products, LGEIL has started building its international presence in the target markets of South Asia, Middle East and Africa and has also started exporting to the demanding markets of Europe in 2006.

It has started export of Compressors, GSM Phones and Desktop PCs in addition to the consumer durable and home appliances products and has export dedicated manufacturing facilities for ODD products.

It has achieved US$ 100 million exports in 2005 and has made highly ambitious plans for future.

Evolution of LG Brand

LGEIL became No. 1 in all its product categories (except GSM which it has launched recently).

Annexure 4.9 (*Page 175*) shows product wise how LG evolved No. 1 in all category as compared to the competitors.

The Organisation Culture

Come rain or shine, every year, we conduct an Organisation Culture Survey at LGEIL. The driving objective is to capture the 'voice' of our internal customers and align it to our HR systems so that we have their 'buy in' in everything that we do. The survey covers over 30 per cent of our strength through stratified, random sampling. We believe this is a scientific way of understanding "an organisation" as the employees see it. The LGEIL win-win attributes that have emerged through these surveys, in the order of significance to our employees are listed below:

1. High Learning environment
2. Employee trust reposed in top management
3. Employee's engagement
4. A target-driven company
5. Strong communication channels
6. Fast & speedy decision making processes
7. Quick and speedy decision-making
8. Employees like their job assignments
9. Cross-cultural management

Following is a brief discussion of each of these organisational attribute:

High Learning

It has consistently been the best-rated of all our organisational attributes. Our people feel that LGEIL offers tremendous learning opportunities to them. They acknowledge that their jobs are designed in a manner that it provides varied experience and continuous learning opportunities to them, helping them to eventually develop as independent business managers.

Employee Trust

Trust in top management has been highly rated as a parameter at LGEIL. This they attribute to the transparent practices that the top brass follows and their belief that the top management has the capability to lead them through any market crisis. They also feel that the HR policies that we follow at LGEIL are in their best interests.

Our employees acknowledge that a good leader helps them to better understand their work domain and as a consequence, is able to extract the best out of them. They also acknowledge that their leaders are both coaches and mentors to them; coaches, when they need to know how to achieve a set target and mentors there they need to form a personal association with them.

Employee's Engagement

Employee's engagement is among the top 3 factors at LGEIL and this is what differentiates us from competition. It makes employees feel highly engaged and they find that the biggest motivating factor at LGEIL is high learning and the achievement of their targets.

Target-setting Exercise

The target-setting exercise at LGEIL yields quantitative parameters that leave no room for ambiguity. Even if stretched, there is complete clarity on what is expected out of each employee. Rather than demoralising an employee, this exercise inspires them to strive for higher levels of excellence.

Strong Communication

LGEIL has a battery of forums that facilitate top down and bottom up messages. This makes us a market-driven company that is very responsive to changes and helps in quick decision-making. The market communication goes straight to each of our employees through these various forums, as well as through the senior management team.

Speedy Decision-Making

Fast decision-making has been made possible at LGEIL through grass-root empowerment. Decisions are taken instantly as per customer needs and demands.

Job Affection

We would like to believe that empowerment and high learning makes LGEIL employees like the jobs assigned to them.

Cross Cultural Management

In any Indian company, where employees get drawn from every nook and corner of the peninsula, cultural influences are bound to come into play. But these can be managed in a manner that they do not hamper the formation of strong, cohesive teams.

The issue at a multinational company is no different, although it's sometimes exaggerated by vested interests. At LGEIL, we take a lot of care not to let culture become a major de-motivating factor, thereby ushering in a lot of unwelcome bureaucracies, groupism and inefficiencies.

Two areas of improvement have however also emerged in these surveys:

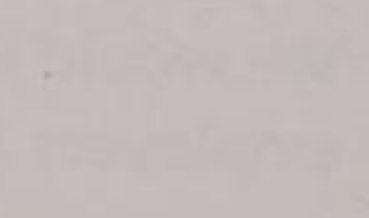
- The problem of long working hours and;
- The lack of inter-departmental cohesion, arising possibly out of the strong thrust on individualism that we have at LGEIL

We are presently working on addressing both these issues.

Cultural Unit Presidents

The LG strategy through the world, where ever it has operations or branches has been to appoint Cultural Unit Presidents, which is another word for empowered Strategic Business Unit managers who are assigned responsibilities of operational management. Decentralisation of decision- making and resources is carried out very structurally and strategically at LGEIL.

(Extracted from a December 1996 London Business School Case Study)



5

The Fountainhead

K. R. KIM, THE CEO OF LGEIL IS A MIRROR THAT REFLECTS LIGHT

SYNOPSIS

- *This chapter is a tribute to extraordinary leadership and astute management provided to LGEIL by its managing director, Mr K.R. Kim.*
- *The author unveils many pleasant truths about Mr Kim on the basis of his numerous interactions with the LGEIL Chief. These facets to Mr Kim's personality come into reader's view for the first time as the media has not been able to unravel the same so far.*
- *Mr Kim is not just an action-oriented, non-partisan cheerleader or mere driver of execution, he is a distinguished man of letters. He reads voraciously while also following a penchant for touring to the remote corners of India frequently.*

5. The Fountainhead

K.R. KIM, THE CEO OF LGEIL IS A MIRROR THAT REFLECTS LIGHT

KR Kim, the boss at LGEIL packs in a lot of power in his small frame. He took charge of LGEIL's India operations in March-1997. Before that, he had served for a while in Panama.

Vital Statistics

■ Born Nov 2, 1946 ■ Married with two Children ■ Graduated with degree in law from Seoul National University

Career Highlights

■ LG Electronics (1974 – Present ■ President-Asia pacific, LG Electronics (excluding China and including Australia and New Zealand) ■ President LG Electronics South West Asia (Dec 2004- Present) ■ Managing Director , LG Electronics India (1997 – Present) ■ Variety of foreign assignments, beginning in Dubai (1977 and including stays in Germany, Panama, United States)

My first meeting with him, as recounted in the first chapter of this book was brief. Nonetheless it left a strong imprint on my mind as a memory of an extremely down-to-earth, unassuming man, whose soft demeanour belied the steely resolve that he hid beneath. Flashes of this I was to glimpse later, at odd intervals during my ten-year long stint at LGEIL.

All these years, the Indian media people have been carrying cover features on Kim and making some very incisive comments about his astute business sense, but, none in my view reveal even a fraction of the man as I knew him.

Fast Facts

■ Earned Super Achievers Award from Consumer Electronic and TV Manufacturers Association (CETMA) for his role in advancing maturity of India's electronics and durable goods market ■ Earned an award from Prime Minister Manmohan Singh for Excellence in Corporate Leadership and Entrepreneurial Spirit, established by CNBC-TV 18 ■ Fluent in English, Japanese, Spanish, in addition to Korean. Enjoys playing golf, tennis, enjoys reading newspapers and books on history/culture of countries around the world and business

Lessons from Mythology

When musing about the future of his company, LG Electronics CEO Kim Ssang Su likes to allude to a Chinese proverb about a 90-year-old grandfather named Yu Gong.

One day, the old man decided to level two mountains—grain by grain, rock by rock—because they had forced him to take long detours when he traveled. His neighbors told him he was deluded, but Yu Gong remained undeterred.

"Your mind is too inflexible," he told them. "Even if I die, I have my children, my grandchildren and all their scions. My line will go on and on, but those two mountains can never get taller or bigger—what do I have to worry about?"

If Su had his druthers, he would like his employees to show the same sort of grit and determination in their daily work.

"If one steadily strives in his work, he will eventually achieve something great," he said in an interview with CNETAsia.

S.S Kim, Vice Chairman and CEO, LG Electronics in an interview to CNET News.com (Newsmaker: Moving Mountains at LG, December 9, 2004)

At best, these "stories" as scribes like to call their reports were based on one-off interactions with a complete stranger, so they often came off, no matter who the reporter was, as skim-the-surface accounts, which although interesting and dare I say, a little imaginative were in the end, capturing very little of the man named KR Kim.

Since he's a man of few words, who once shrugged media attention (he improved on this trait later when he became highly media savvy), a reporter, in my opinion has to be extremely talented as a people preceptor or be a gifted psychoanalyst or be associated with him for as long as we have been in order to fully do justice to Kim's richly-textured, multi-layered personality. This was of course not possible over a brief media interaction, so the situation was akin to that faced by seven blind men attempting to feel an elephant and each coming up with his own, different interpretation.

For instance, if someone were to ask me to describe Kim, my immediate reaction would be "He's like water, whichever vessel you put him in; he takes the shape of that vessel." And that would be no exaggeration.

Often, we, all of us want to discover why some people are so successful as leaders, while others just manage to scrape through as poor managers. Another question on which we ponder is whether leaders are born or made, or whether leaders who are able to manage all manner and kind of workers and situations have had to adopt different styles for each?

These questions are by no means simple to answer, mainly because leadership in it self

Moving Mountains at LGEIL

"There is a saying that goes, 'When a tiger dies, it leaves its skin. A man leaves his name.' I want mine to go down in LG history."

S.S Kim, Vice Chairman and CEO, LG Electronics in an interview to CNET News.com (Newsmaker: Moving Mountains at LG, December 9, '04)

is not a simple task. I for one, have often marvelled at managers who are able to bring disparate sections of people together, despite the presence of several odds in their own lives. How is it possible that they are able to achieve in a few years what cannot sometimes be achieved in a lifetime? How do they do it? What's their success *mantra*? And, what makes them so different from the rest of the heap?

The difference I believe lies in their total conviction about the purpose they have set out to achieve and the missionary zeal with which they achieve this purpose. They have this rare ability of building bridges and maintaining lifelong relationships with peers, supervisors and even those who work under them in order to create a winning climate at their workplace. They also command the skill to go into the genesis of a problem and come up with a unique solution. Finally, as in Kim's case, they have the uncanny vision of knowing when to change in keeping with the changing business scenario. In fact, we all acknowledge that many-a-times Kim has single-handedly changed the rules of the game in the maturing business environment of the consumer durable industry in India.

As a manager and as a leader par excellence, Kim, I've observed, kept reinventing and adding new dimensions to his personality throughout his stay in India almost at the same pace as we kept discovering these new traits in him. It's indeed been very fascinating to watch him quickly adapt himself to the changing needs of time and situations that he confronted in India. His razor-sharp intellect and vast outlook were perhaps the reservoirs from which he drew the strength and the flexibility to not be intimidated by change and instead change accordingly.

On surface, he came across as a man-of-the-world; who loves golfing and partying. Yet, deep down, he is very insightful and introspective. One of his most remarkable qualities is that he never drags his heels over anything, big or small. Even when he needs time to toss something over in his mind, he is more likely to say "Okay let's do it," and later, if he has doubts, come back and clear them with us, while offering his personal comments and soliciting suggestions.

His Daily Schedule

Reaches office at 6.00 am

Plays tennis

Goes around the factory

Takes bath

At 8.00 am, he's back in office

Listens to some meditative-kind instrumental music

Has one-on-ones or a review meeting

Generally, leaves office around 4 noon

Later in the day, he's either meeting people or taking a round of the market

This gentle, non-intrusive approach is a far cry from the crude, in-your-face brashness that I see in today's CEOs. Kim, in contrast has always had his feet planted firmly on the ground. He preferred a smaller- than-life profile for himself, while letting his subordinates hog all the limelight. This was in sharp contrast to the method and manner adopted by some of his contemporaries. And, that's what differentiated him from the rest. Later, it was due to his impressive track record and the long-term changes that he brought about in the consumer durable industry that compelled Indian media to cut him out as a 'larger than life" business leader.

I recall that in the beginning two years of LGEIL's inception, all I ever saw Kim doing was sit quietly in his cubicle and read. He was never without a book and a sizable number of the titles that I surreptitiously glanced at were on India or Indian culture. Later, I discovered that he was also a voracious newspaper reader. He once confessed to me that he devotes two to three hours every day to his reading habit and by now has become quite an authority on the Indian psyche, the consumer behaviour, buying habits, as well as our needs and wants from various brands. He also loves to read books on business strategy, marketing and global environment.

Kim continued with his strategy of total non-interference, even during his latter years, preferring to adopt a non-intrusive style of management, where he was happier observing us driving his vision and observations. All he asked for in return was an assurance that his managers would subscribe to the following two aspects of his patently democratic business vision:

(i) Give absolute empowerment to the local managers, hold them accountable and

(ii) Let all decisions be made by consensus with the consent of teams concerned

One of his most notable habits is: The moment you walk into his room, he involuntarily picks up the pen; willing and ready to sign

anything: No questions asked! The message that goes home through this simple gesture is: I trust you completely. Now, be responsible for the outcome of this decision. Very few leaders have the confidence to share power so openly and trustingly with their subordinates and Kim is one of those leaders from whom others draw their power.

Understanding the Meaning of Empowerment

Before Kim, we knew the meaning of the word "empowerment," but were not aware of its full scope and potential of this strategic tool for motivating employees. I discovered its practical manifestation early on during my association with KR Kim.

My cubicle in those days was right next to Kim's. Once, while I was jotting down a few notes, he casually strolled into my office and asked, "What's up?"

I muttered I was framing a few empowerment rules for the company. Pat came the rejoinder, "You don't need rules for that! Empowerment is trust and trust is empowerment."

Powerful words those, and long after he had left my room, they kept ringing in my ears. I understood fully well the meaning of the word "empower" that day.

LGEIL as Toyota

"I want my company to be more like Toyota. We want to be a great, strong company that does not stop in generating growth and one that is not susceptible to external factors. There has not been a labour strife at Toyota for the past 15 years, and we have not had one in the last 13 years. I found that we have many similarities in innovation and production strategies."

S.S Kim, Vice Chairman and CEO, LG Electronics in an interview to CNET News.com (Newsmaker: Moving Mountains at LG, December 9, 2004)

At LGEIL, empowerment requires two factors: Personal conviction and high risk-taking ability. Besides, with Kim, the decision to empower the Indian executives not just reflected a high personal risk, it must also have been very challenging for him to convince his bosses in Korea that this was the right strategy to adopt in India. He really believes in sharing power with the lowest common denominator and in the merits of de-centralised operations.

Sure of His Goals

"When we came to this market, we knew from the very beginning, what we wanted and how we would go about it. From the very beginning, everything has been going according to plans. We never had any tentative plans for this market."

(K.R. Kim in an interview to Pitch, October 2006)

How Kim Made Indian Housewives Happy

Kwang – Ro Kim, MD of LG Electronics (LG) India, had one major problem when he was posted to India seven years ago – how to keep his wife happy. With Kim having had stints in the US, Germany and UAE in the service of LG, his better half had been used to operas, concerts, and super markets. India – even NOIDA on the outskirts of Delhi – was the back of beyond: power cut, crowds, filth. ..... Seven years down the line Kim has succeeded in keeping wife happy. More importantly, he has succeeded in keeping thousand of other Indian housewives happy too. His company has launched an array of products for almost every room of the house – living room, kitchen and bed room.

(LG No.1, Business India, Cover Story, July 5-18, 2004)

A Sense of Ownership

One of Kim's quotable quotes is: "To build ownership you have to empower people and make them accountable for all their actions." Each one of us was responsible for the consequences of our individual decisions and actions. Because everybody enjoyed full autonomy in his/her sphere, there was never an opportunity to fault someone else when a decision backfired. The accountability always rests with the person taking a decision, howsoever high or low in the organisation he or she may be. Thus if someone commits a mistake at LGEIL, the best recourse is to stand up like a man, own it, rectify it and make a fresh start. Simple and easy. There are no two ways about it.

I remember an incident, wherein a decision was made but for some reason, the departmental head could not be involved in it as he was travelling. When he returned, he carried the complaint straight to Kim, who reluctantly reversed the decision in latter's favour but only after warning him that next time, he must take everybody's wishes and opinion into consideration. He wanted this executive to trust his men as readily as he was trusting of him.

Another of the CEO's remarkable traits is that he is dead set against all bureaucracy. An impatient man by disposition, he wants to cut red tape as fast as possible because he feels that it hampers the speed of execution at LGEIL. His favourite dig at the slow plodders is, "Why are you so slow? Are you a government officer?"

Action-oriented

When Kim came to India our staff were not very tech savvy. So all our presentations were made on transparencies that were hand written, although in order to make them look attractive, they were often embellished with different fonts, formats and colours. Kim accepted them without complaint even though he was accustomed to all the trappings of high technology. To him, the real purpose of a presentation was to inform not to impress. He could do without all window dressing, so long as the presentation made a basic point. Slick presentations, like slick managers, were all sound and fury in his view. He was not keen to suck up to their impressive statistics and empty jargon. To him, education and technology were mere tools for accomplishing a higher goal; they were not goals in themselves. "I do not want beautiful presentations. I want execution," he is used to saying at meetings.

A Man of Letters

K R Kim, as mentioned before at the start of this chapter is a very well-read thought leader. Besides business books, he's also lapped up a lot of world literature to assimilate the finer points from there into his personality and later come up with a few innovative strategies of his own to apply to his business situations.

Three Critical Success Factors

"The Three factors – Price, Quality and After-sales Service – are critical when it comes to India, and we are meeting all of them."

(K.R. Kim in an interview to Pitch, October 2006)

He never copied or imitated anybody's style. He imbibed what he had to and discarded the rest. The first to arrive in office every day, he was also the first to depart. In his language and behaviour, as in everything else, he treated his people as colleagues and as business associates and they in turn reserved the same deference for him. In short, he epitomised professionalism.

A Non-Partisan, Cheer Leader

I recall several occasions when he preferred to follow the opinion of his Indian (read field) managers than with an expat's take on a situation, merely because, he genuinely believes that a field person knows better.

A Man Who Raised Bars

Mr Kim kept challenging his manager's abilities by constantly raising the bar, He kept stiff targets, backed the team with total marketing ammunition and support and kept them on their toes. Those who have worked with Mr Kim say his strategic thinking for rapid growth was routed in the chaebol's management philosophy of constantly creating "healthy situation" of "continuous crisis."

(LG's Unstoppable March into India, Courtesy Kim, The Economic Times, 2 September, 2006)

This often upset the FSEs, but he once explained the rationale in a very simple and straight forward manner: Unless he went out of his way in trusting his Indian executives, they would not be able to trust him as a leader and consequently, would never be able to develop a sense of belongingness to the company. A very simple philosophy, but one that left an indelible impression on each one of us.

Many-a-times, I would observe Kim signing off documents without so much as throwing a casual glance at them. Such was his level of trust in his Indian lieutenants that he blindly signed whatever was brought to him and then left it to the discretion of the person concerned to brief him on the content of the documents.

What this revealed about the man was that the logical merit of a decision mattered little to him, what was more important was the sentimental ownership of his employees. We made mistakes, but with his support, we also learnt from them and tried to fix them. Kim also believed that when a decision turns out to be of less than premium quality, we could still rectify it, but trust if lost, can never be restored.

A Driver of Execution

For Kim prompt execution was more important than the decision itself. He was of the firm opinion that once a decision is made, it should immediately be activated. He can't suffer delays of any kind and is always impatient for results. As a man-of-action who had little patience with long-winded discussions, meetings or presentations, he demanded that everything be put to him in numbers, facts and figures.

India More Profitable Than Most Markets

"Only our Brazilian arm is more profitable than India. We are much more positive and optimistic about India than any other market."

(K.R. Kim in an interview to Pitch, October 2006)

In those days, we anyway had very little time to lose. We were at a crucial state of development where everything was happening at supersonic speed. To cope with this pressure-cooker environment, Kim had clearly delegated various responsibilities. Now he just wanted the results to be delivered, again not as empty rhetoric, excuses or delays but in terms of concrete facts and figures.

Aside from this particular trait, he couldn't be bothered with mundane tasks, inconsequential details, or routine day-to-day affairs. He was easily the "big picture' man. He was happy, leading LG through his visions. In fact, during the second phase of his career at LGEIL, when the ship was firmly on sail; we have infrastructure and systems in place to become No#1, and there were no signs of any turbulence, he voluntarily accepted the role of a mentor, who was not on the pitch but who was keenly watching us from the pavilion.

During this phase, he was keener on meeting our trade partners, customers and employees. He would gently prod them for feedback and later convey it to the department head concerned for corrective action, if needed.

This was the time when the media started paying glowing tributes to Kim in print and on the electronic channel. They started acknowledging him as a focused, market-driven person. The discovery was a little belated, but then what can you expect when Kim never actively courted the media or sought the public limelight. They discovered the man, indirectly through LGEIL's performance and his ability to write new rules of the game.

In his travelling habits however, Kim was a very different person. He was engaging, expressive and a very good salesman. During his short stint in India, he may have practically zipped through the entire length and breadth of our vast country. Every nook and corner was scanned, as would a travelling salesman. Indeed, none of the Indian managers would have travelled India as much as he has.

A Well-heeled Leader

Kim, basically a marketing man, has been with LG in many countries- in Dubai, Chicago, New York, Panama and Dusseldorf, prior to heading the Indian operations. In the UAE he founded Goldstar brand, while in the US and Germany he was involved in setting up IT Business for LG. Even when in Latin America as a regional director, Kim was instrumental in making the Goldstar brand the leader there.

(LG No.1, Business India, Cover Story, July 5-18, 2004)

Sometime ago, he wanted to visit Guwahati, a north Indian city, which was strife-torn in those days. Brushing aside our concerns for his safety, he travelled and came back to recount tales of his adventures there.

For over three-four years, his schedule followed the same, fixed routine. On Mondays and Tuesdays he planned and reviewed meetings. From Wednesday to Friday he travelled to various cities—meeting LGEIL's employees in the sales offices, dealers and customers directly. (I remember how readily he used to hand over his business card to almost everyone in those days, even though it bore his personal email ID and even the mobile number!)

He did all this and more because he wanted to gain keen insight into every nuance of the Indian market. Above all, he wanted the information first hand, straight from the horses' mouths', i.e. the dealers and the customers. And, wherever he went, he took copious notes of problems and suggestions and his comments about areas of improvement. I suspect that he might still have some of those notes in his attic somewhere.

Consumer Durables Are Essential Commodities

"Production of television, washing machines, refrigerators, and airconditioners are not luxury products but necessities when an economy is growing," says Kwang – Ro Kim, Managing Director of LG's Indian unit. "When people get additional income, they buy."

(Turning Up the Local Volume, Financial Times, 23rd June '04)

Saturdays were reserved for briefing about these encounters. He loved to wax eloquent on these occasions, sharing with us rare insights that he had picked from his travels. What he effectively did through all this was to offload all their (dealers' and customers') problems on us and then expect us to find creative solutions to all those vexing issues within a few days, if not a few hours. A speed man, he expected a problem, if it has been identified, to be fixed within the next couple of days, if not less. And, if he was accessible and unassuming with the customers, he expected us to be the same.

Sometimes I think it was very easy to get fooled by his non-interfering ways. At no point did his unobtrusive nature imply that he did not expect us to deliver the moon to him. He most certainly did. It was another matter altogether that he didn't scream or shout for it. He just expected the moon would eventually be delivered to him and delivered fast. In other words, power, as well as responsibility was shared equally and in a very democratic manner at all rungs of LGEIL.

He once acknowledged that the biggest strength of LGEIL was its organisational culture. All the employees unquestionably accepted the challenging targets and put their best foot forward to achieving them.

I distinctly remember the phase of our growth when we were batting on all fronts and our operations were growing so big and cumbersome that it was turning difficult to keep tabs on every development unfolding within or outside LGEIL. But Kim did not relent in mounting pressure on us. Those were the days, when we saw the most aggressive, result-driven side to his personality. He was like a super-charged dynamo, demanding fast results, increased sales and quick decision-making and through his high reward policy made people deliver their best to him.

He believed in the philosophy of breaking free from all old paradigms and starting afresh at the crack of each dawn. One of his favourite refrains was if you continue doing what you have been doing; you will continue getting what you have been getting. For better results, do something different.

Anatomy of an Enlightened Corporate Leader

Henry Kissinger had once said "The task of a leader is to get his people from where they are to where they have never been before." Control is not leadership. Nor is management leadership. Leadership is leading from within. The best leaders are those whose presence is not even noticed by their own people. When their work is done, people say, "We did it ourselves!" They know the art of bringing out the best in other people, collectively and individually. Aspirations build great companies but leaders build these aspirations.

He acknowledged that change can at times be a very painful process. We, all of us, like to build a comfort zone around us. It takes no time to quickly get accustomed to our cushy surroundings. If something unforeseen happens that disturbs our apple cart, it greatly disturbs our mental equilibrium and creates a feeling of acute restlessness. We fear we might risk everything or a portion of what we have so carefully and patiently built all those years. Like quicksilver our security appears to slip out of our hands.

But Kim had no such qualms. He loved to question all his beliefs. Try showing him an alternate path and if you are able to convince him that that's a better path, he will change his course the next minute for Kim believes in innovation.

He is flexible, yet he is able to bend us to his will through the sheer force of his personality. Eventually, the best part of this scenario was the

Taking on a Big Challenge

During the first four years, Mr Kim had a challenging task in hand – Establish the brand which had virtually no salience amongst the Indians, rapidly roll out and consolidate. He began with the basic approach of empowering his team leaders, managers and giving them unheard freedom. "By believing in people, I don't think I take any risk," says Mr Kim. "I am a transparent and an open person, so I have tried to built an organization on the same lines."

(LG's Unstoppable March into India, Courtesy Kim, The Economic Times, 2, Sep., '06)

Not Afraid of Challenges

"We have to make LG more responsive to the market. Sometimes instability at the top management is needed to usher in new thinking"

(LG's Unstoppable March into India, Courtesy Kim, The Economic Times, 2, September, 2006)

sense of exhilaration that came after winning a long and tough battle under Kim's stewardship. It was shared by one and all.

About the constant need for change, I remember what Kim said at the opening of the Asia Pacific HR Summit of LG Electronics in 2004-"Change is essential. All religions of the world, Taoism, Buddhism, Hinduism, emphasise on change in one way or the other. Therefore, for tomorrow's survival, you must learn to kill yourself today."

He himself was like the phoenix that rose from the ashes. Legend says that the immortal bird threw itself into leaping flames and emerged unscathed, albeit in a new *avtar*. To my mind, Kim is a bit like that legendary bird.

At LGEIL, we have seen so many facets of his personality that it is impossible to describe him in a few hundred words. His personality grew with the growth of LGEIL. At moments of deep crisis, we glimpsed an aggressive, inspiring leader; while at more placid time, he had his thinking cap on and would be strategising on how best to realise our next target.

Kim's vision was to make LGEIL a no-excuse company. His diktat was: If you fail at delivering something, own up your mistake and start afresh. Don't rationalise your non performance. A firm but kind boss, he was ever willing to give a second chance to anyone who seriously repented for his mistake.

Stretch goals were another of Kim's pioneering philosophies on which LGEIL's foundation was laid. Before planning for something, he would always factor in the projected (and not just the possible) growth factors so we began to anticipate growth much before it actually happened. So if the

market grew beyond our expectations, the targets got revised accordingly. In one of his interviews to an Indian newspaper, Kim acknowledged two major strengths of his company:

- A performance-driven culture, and
- His employees' willingness to accept challenges

Up Close and Personal

An outdoor person, Kim loves adventure sports, trekking, river rafting, lawn tennis, golf, you name it. A fitness buff, he comes to the office at 7 am and works out at the gym. That's a fixed routine. He also loves meeting and interacting with people. To my mind, he has ascended a high level of spiritual growth which is evident during his one-on-ones with his people. Once he said, "There is no Hell or Heaven beyond this earth and you are responsible for creating this Hell or Heaven in your family set-up, workplace or society. If you are not happy, you have to look within yourself and create your Heaven."

Another of his common refrain to workers is that if they cannot keep their families or themselves happy, they cannot take good care of the company either. Going by the Maslow's hierarchy of needs, he urged his employees to be selfish and priortise their own and their families' needs before taking care of the company.

People he likes to classify as grass and coconut trees. Grass can survive every onslaught. If trampled, it quickly regains its original shape and position but with a coconut tree, such flexibility is not possible. All this reveal the portrait of a very spiritually evolved man, who kept this side of his personality very secret and sacred.

Maslow's Hierarchy of Needs

Abraham Maslow (1954; 1969) was the first to suggest that there is a fundamental ordering of human motivational structuring—that man's needs arrange themselves in a hierarchy, which ascends from the most basic biological requirements (say for food and sex) to the quest for higher needs such as self-actualisation and fulfilment.

According to Maslow's formulation, the unmet needs on the lowest level of this hierarchy are ordinarily the ones that command the individual's primary attention and effort. Once these needs are reasonably met, his behaviour begins to get dominated by other, higher-level needs.

When all our basic needs are satisfied, we move to the tip of the pyramid, seeking to satisfy the self-actualisation needs.

Good to Great Companies

In his 2001 acclaimed book *Good to Great* author Jim Collins studies 11 companies that made a leap from mediocrity to truly superior performance that lasted for at least 15 years (reflected in their cumulative stock returns, which were at least three times more than the market returns) and discovered that the leaders of all good to great companies were plough horses as opposed to show horses. 'They were dogged, determined and disciplined. They didn't lead by having inspiring personalities but by having inspiring standards. "They didn't create names, taglines and events to trumpet things they wanted to accomplish,' writes Collins but 'being high-profile change agents, they were a lot like tofu: clearly part of the meal, perhaps even the main source of nutrition, but the spice was provided by everyone around them." They are characterised by faith and hard-nosed thinking, as Benjamin Franklin wrote in *Poor Richard's Almanac*, 'In the affairs of this world men are saved not by faith but by the want of it.'

A moderate by nature, he doesn't go by absolutes. "Management is all about grey areas," he says. Nonetheless he's a little impatient with the classic Indian indecisiveness. On this one point, I agree with him that the Indian trait of going nimble-foot on a difficult-to-resolve issue originates from a strategic, political interest in not wanting to be held accountable for anything. We want to hog credit for all the pleasant things happening around us, but show no interest in taking the blame for all the mishappenings.

Kim, on the contrary, has had no qualms reversing any of his decisions if evidence presented to him makes it clear that his decision could be wrong or is not working. Flexibility and firmness are his hallmark and he never lets his ego to come into play in any of his decisions.

Kim's sterling qualities as a leader came to the fore more prominently during moments of deep crisis. I once read somewhere that the major component of leadership is "exercised in situations." This is a little hard to explain, perhaps because it's a specific quality of a leader — how he personally imprints or manipulates a situation because very often the imprint is very subtle. However effective business leaders always use different approaches to deal with different situations, after taking into consideration the interests of everyone involved. "Truth has at least six sides," India's first Prime Minister, Pandit Jawaharlal Nehru once said and I suspect Kim also subscribed to this practical dictum.

For that matter, at LGEIL, key business decisions are always taken in unison whether they are for or against a project. The important

thing is that there are very few decision-making gates or constituencies to deal with at LGEIL, most decisions are made at the grassroots level. The practice is still the same.

In *Good to Great*, Amazon.com's best in 2001, author Jim Collins studies 11 companies that had made a leap from mediocrity to truly superior performance that lasted for at least 15 years (reflected in their cumulative stock returns, which were at least three times more than the market returns).

Collins discovered that the leaders of all 'good to great companies' were plough horses as opposed to show horses. That's exactly what Kim was at LGEIL. As Collins says of his leaders, "They (these leaders) didn't create names, taglines and events to trumpet things they wanted to accomplish. Being high-profile change agents, they were a lot like tofu: clearly part of the meal, perhaps even the main source of nutrition, but the spice was provided by everyone around them."

Kim was like that piece of *tofu.*

However there were also times when Kim could turn common-sense business logic on its head. This applies to his belief that the best time to invest in an industry is when the market is down.

Kim's logic was—and here he went against the tide in applying it on LGEIL—there are no cyclic periods of growth for any industry. You can raise crops as long as you till the land. Go on investing in an industry in the manner that we have done at LGEIL (i.e. in a sustained and planned manner) and you will go on reaping the fruits of your hard labour, no matter what the prevailing business climate.

Kim's first award in India came in 2005, when he was voted the "Man of Electronics" by the Consumer Electronic and TV Manufacturers Association (CETMA) in 2004. And true to form, he made a very brief, to-the-point speech. Surprising everyone he said, "I am very grateful for this award, but to be very honest, I haven't always made very wise decisions in my career. In fact, often, I made some very foolish mistakes and missed some great business opportunities. But, today, after receiving this award, I vow to myself that I will not repeat those mistakes and will begin to work on my weaknesses from this day onwards. "

A very unusual speech for a man of his stature—but then that's the kind of man Kim is: Humble, straight and simple.

Kim, in my opinion is as transparent as a glass sheet. Employing few words, he manages to convey everything important through his body language and facial expressions. The vibes that he sends out are very positive.

Above all, his hard-nose practicality on various business issues comes across as refreshingly different and neutral. It is not a rip-off from any management tome but grounded in commonplace business sense.

About advertising, he said, "It's like an air attack. It assists the war but it cannot win the war. The final victory is won on the ground with good artillery and with 'Foot Marketing'."

We once thought of starting classes in Korean language at LGEIL for whoever was interested in it; but mainly for those Indian employees who regularly co-ordinated with the staff in Korea, but Kim overruled saying, "LGEIL's business language is English. All mails to Seoul must go in English and the replies must also come back in English. That will be the first step towards making us a global company."

Yet, a few months later, he made it mandatory for all FSEs to attend Sanskrit classes for two continuous years, three days a week!

LG
Life's Good

6

Life is not Monochromatic

CULTURE IS LIKE AN ICEBERG; OVER 9/10 IS INVISIBLE. A LOOK AT HOW MAJOR CULTURAL HICCUPS AT LGEIL WERE OVERCOME

SYNOPSIS

- *This chapter is an enquiry into the cultural cauldron at LGEIL finding out through references to established studies on cross-cultural dynamics as to how an Indo-Korean confluence of cultures was achieved for effective management.*
- *Five cultural dimensions used to analyse a culture – power distance index, individualism, masculinity, uncertainty avoidance index and long-term orientation – are discussed.*
- *The authors attempts to put a finger on the Indo-Korean similarities and differences and applies the same to derive how a "Project Culture" was put in place and how an open two-way communication "moved mountains".*

6. Life is not Monochromatic

CULTURE IS LIKE AN ICEBERG; OVER 9/10 IS INVISIBLE. A LOOK AT HOW MAJOR CULTURAL HICCUPS AT LGEIL WERE OVERCOME

Making Culture Irrelevant

How a Korean company managed to outsmart its foreign and Indian rivals is a story about culture change. Like two other Korean companies that have been successful in India-Samsung and Hyundai, India's No.2 car producer-LG had good products and smart marketing. But LG went further by challenging Indian work habits.

(How South Korea Conquered India, Fortune, April 19, 2004)

I don't know whether this story is true or apocryphal but once a friend related an anecdote that amply defines "culture": An American and a Chinese were once visiting a cemetery where their friends were buried. The American was carrying a beautiful bunch of flowers, whereas, the Chinese was bearing a bowl of cooked rice and some fruits. The American found it ridiculous that any one would think of leaving food at a graveside. "Do you really think," asked the American, barely hiding his contempt, "that your dead friend will come and eat the fruit that you are leaving here?"

"Yes, of course," retorted the startled Chinese after a moment's thought. "My friend will come and eat the food around the same time as your friend will come out to smell the flowers you're leaving for him."

On another occasion I read that the *Jula* Indian tribe has a proverb that states, "Even if a stick stays in the water, it does not become a crocodile." This implies that living in a culture different from our own does not make us a child of that culture, but my experience at LGEIL has led me to conclude that although culture is an important barrier in understanding people, where

businesses are to be conducted, it remains a surmountable factor, provided you have processes in place that are both fair and square.

In fact, diversity, in our opinion enriches a workplace, as it:

- Promotes personal growth
- Strengthens teams
- Enhances economic competitiveness of an organisation

The *Economist* once carried an article wherein the author's position was that in a competitive marketplace the language of love is inappropriate. I strongly disagree with that assertion. Love and a bit of compassion overcomes all hurdles, even cultural.

This has important implications at a time when the significance of culture in management has increased as a result of augmented interest in the formation of transnational corporations and with increasing number of companies going for mergers and acquisitions. Companies often merge with competition in order to create economies of scale. Yet, a majority of these mergers are not successful. The reason is that they fail to blend the disparate cultures of the two companies and here I don't just mean social culture, but also the process and value culture of the respective entities. In fact, if left uncontrolled as a factor, business reasons for entering into an alliance become less important over time, whereas cultural issues become far more overpowering.

However....

Overemphasising cultural differences at the expense of undermining our shared humanity is however not the best way to approach the problem of conflict resolution. In fact, it may be used as an excuse not to do so. For beneath the layers of culture, we may find that we have more in common than we think.

So if a company's culture is jeans, football, cut-throat hiring/firing, and shoot-from-the-hip decision-making and the other's functioning is extremely conservative, strait-jacket and process-driven, they will have a big challenge at hand if they decide to merge or even conduct business with one another, for a short span. However, if the merged entity takes care to devise cultural compatible processes beforehand that aim to side-step anticipated cultural minefields, the marriage could be more stable and not head for the divorce court.

In *Christianity in Culture*, Charles H. Kraft (1979) wrote that "The fundamental processes of reasoning of all peoples are essentially the same,

but the premises on which such reasoning rests and the basic categories that influence the judgment of different peoples are somewhat different...Men differ...not so much in their reasoning powers as in their starting points." (p.57).

I completely agree with that assertion. Once you accept the basic premise that some cultural differences would continue to exist, half the battle is won; then from that point on, it's easy to accept that some (if not all) of those differences can be circumvented and business can be negotiated as usual.

Johanson and Vahlne (1977) once posited that psychic distance between countries is a determining factor for international expansion. In other words, cultural compatibility is easy and possible between countries that have a short psychic distance than those with long psychic distance. Applying this model to the Indo-Korean association in LGEIL, our marriage had a fairly good chance of survival than say, an Indo-German or an Indo-American corporation simply because, India and Korea share the same oriental culture; moored in a long, imperialistic past and internal strife (British in our case, Japanese in their).

Such a brutal past could leave a strong cultural imprint on the psyche of the people; which of course it did, but, while it made the Indians turn more tolerant and adaptable; with the Koreans, the influence was quite the reverse, they "closed in" in response to the Japanese cultural invasion and the threat that it posed to the survival of their indigenous identity and cultural heritage. Perhaps, the threat of losing their identity was stronger in their case than in ours because of the small psychic distance between Japan and Korea than between India and Britain

Have you seen the *hanbok* that Koreans wear? It's a loose-fitting ensemble, the hallmark of which is that it has no buttons and is held together mainly by strings, belts or cords. The beauty of a *hanbok* lies in its voluminous, three-dimensional look, its rich, layers of clothing, besides a harmonious blend of straight and curved lines and in the subdued blend of colour and design. That's essentially what the Koreans are: liberal and easy-going, but also held together with an invisible string.

Since a single ethnic group has always occupied Korea, the *hanbok* has emerged as a unifying element and an effective expression of Korean identity. Woven in indigenously produced cotton, there was once a time when the *hanbok* symbolised Koreans' patriotic commitment to work for the independence of their country. It also binds them together as a clan.

Before Venturing Out

Lane, Salk, and Lyles (2001), focusing on international joint ventures (IJV), have found statistical evidence that cultural compatibility between parent companies is an explanatory factor for the IJVs' ability to understand and assimilate foreign parents' knowledge. Thus, cultural compatibility may affect the success or failure of an IJV.

In *Intelligent Business Alliances*, Larraine Segil remarks, 'Cultural considerations are central to negotiations. Word definitions are cultural. For instance, "quality" for a North American company is not the same as for a Vietnamese company. Furthermore, North Americans place more trust in contracts than do other cultures. One wants a signed contract enforceable in its own courts' jurisdiction; the other wants a sense of trust, valuing the personal relationship above the legal contract. Even accounting is culturally influenced: companies in some nations may keep double and triple books for different purposes or have complex ownership structures difficult to understand, particularly in traditional cultures governed by family relationships.'

India, in contrast has always been a land of befuddling diversity, there are so many languages, cults, religions etc. that our survival as a nation would have been at stake, if we had not learned to live by the "unity in diversity" principle. The British rulers recognised this strength, so their policy was just the reverse: Divide and Rule. To be sure, on surface, we, as Indians appear to be constantly at each other's throat but, all said and done, the democratic ideals must be stronger than the narrow parochial interests, otherwise we wouldn't have remained sovereign and integrated as a nation, despite the onslaught of several invaders.

Indians are also very fatalistic, which if you ignore the flip side could be a positive trait, as it helps us maintain our calmness and composure and then react to an unpleasant state in very creative, innovative ways, rather than simply give up the fight and quickly switch our interest to something else. Tenacious to the last, we fight for survival until every last recourse and some more has been tried and tested.

To be absolutely honest, there were some serious issues cropping between the Indian managers and the FSEs at LGEIL in the beginning, but nothing that we could not tide over later, as our knowledge and appreciation of each other's cultural traits grew.

In fact the analogy of a marriage that is frequently used in case of business partners is apt in LGEIL's case, as well. In a transnational corporation, you go through the same kind of courtship phase that you go through with a potential marriage partner and as you gradually learn about

each other, you discover your compatibility, unless the marriage is doomed from the very beginning, which fortunately was not the case with us.

Too many companies in my opinion choose foreign partners merely by inquiring from their respective embassies or by asking their law firms to introduce a handful of potential clients to them, without taking the trouble of investigating the "cultural fit" of these organisations themselves.

Another common practice is meeting a company's representatives at a trade show and on the basis of "getting on famously with them for a couple of days," signing them up as a business partner. LG made that mistake twice prior to 1997, but when it didn't work, we quickly changed our strategy and decided to go it alone, the third time.

This time, LGEIL launched a subsidiary and got local managers on board for tapping into their region-specific expertise. Even here, there were some problems but, as we learned at LGEIL, sinking differences is easier when you are one entity than when you are a rag-tag blend of two.

Business research has shown a direct correlation between cultural compatibility and the effectiveness of international management groups. There are four main dimensions to cultural differences when it comes to business practices: individualism of the employees, the relationship between bosses and subordinates, the degree of risk employees are comfortable with, and the way in which employee relationships affect the performance of various tasks.

Since, culture is a complex and evolving pattern of life, rooted in tradition as well as place, it is indelibly a part of our identity, but there could also be times—and we have witnessed many such episodes at LGEIL—when individuals have also influenced culture; when people changed on account of their association with members of another culture. Such interactions sometimes completely change the way we define ourselves or perceive others.

Explaining how this system works, LaNette W. Thompson writes in *Cognitive Schemata and Communicating the Message*, "The existence of schemata (or culture determined beliefs) as information processing systems has certain implications for cross-cultural communication....It is the responsibility of the messenger to see that the message is understood by the receiver. Thus, it is the responsibility of the messenger to attempt to minimise the impact his or her own schemata has on the message, to understand the schemata of the receiver, and to put the message in a form that is accessible to the receiver."

Even communication within a culture is no simple a matter. Experts contend that in normal communication, we understand only 70 per cent of what is being said; the rest gets misfired, no matter who the target is. Now, if that happens to be true about communication within the confines of one culture, one can imagine the frequency of misunderstandings arising out of misfired cross-cultural communication!

Take for instance, the following exchange taking place between a newly-married couple:

Wife: Would you like to go for the movies?

Husband: But you never asked me.

Wife: I never asked! I asked you ten minutes ago. You never listen to me. You don't care about me!

Hopefully, three or five years into the marriage, such communication roadblocks would get erased on their own; but for that to happen, they would have to get working on them in the right earnest and that was exactly the challenge that we faced at LGEIL, six-seven years ago.

Learning from those episodes, we have realised that communication is anyway a reciprocal, three-step process in which:

- Complementary needs are resolved, or aggravated.
- Reciprocal patterns of activities are developed or disintegrated.
- There is satisfaction or rebuff at the end of this exercise, when relationships are consolidated or broken.

  If care is taken, the third step can be altogether avoided.

The Cultural Cauldron at LGEIL : Opportunities and Challenges

In his remarkable study of cultural factors that influence corporations, German behaviourist Prof. Geert Hofstede (1994) emphasised that culture is not a property of the individuals, but of groups. Country boundaries are usually cultural boundaries, and national culture is instilled from birth. It has to do with what is considered proper, civilised behaviour in that particular country: It includes for instance how we act towards strangers, colleagues, family; how we address them; whether we look them in the eye, or avoid eye contact when we invite them home and so on.

Collective Programming

Prof. Geert Hofstede once said, "Culture is nothing but, the collective programming of the mind, which distinguishes one category of people from another."

Based on his 1966 study of a huge sample of workers from 50 developed and less developed nations (it was a massive research project titled HERMES) Hofstede came up with five Cultural Dimensions: Power Distance Index (PDI), Individualism (IDV), Masculinity (MAS), Uncertainty Avoidance Index (UAI) and Long Term Orientation (LTO). Although Korea was not among the 50 countries that Hofstede studied (ironically, India was one) on this psychological plane, yet, I suspect that the Koreans would not fall very far from the Indian spot on Hofstede's cultural continuum, as there is so much in common that we share as oriental races, that the few differences that we have would not set us very far apart.

The five Cultural Dimensions that Hofstede devised are briefly summed as follows:

- **Power Distance Index (PDI): This measures** the degree of equality, or inequality, between people of a particular region. A High Power Distance ranking indicates that such societies are more likely to follow a caste system that does not allow significant upward mobility to its citizens and vice versa.
- **Individualism (IDV): This indicates** the degree to which the society reinforces individual or collective achievement and interpersonal relationships. A Low Individualism ranking typifies societies of a more collectivist nature with close ties between individuals.
- **Masculinity (MAS)** focuses on the degree the society reinforces, or does not reinforce, the traditional masculine work role model of male achievement, control, and power. A High Masculinity ranking indicates male domination, while a low ranking on this parameter indicates less gender discrimination. In these cultures, females are treated almost equal to males in all aspects of the society.
- **Uncertainty Avoidance Index (UAI)** This indicates tolerance for uncertainty and ambiguity within the society - i.e. unstructured situations. A Low Uncertainty Avoidance ranking for instance would indicate a society that is less rule-oriented, more readily accepts change, and takes more and greater risks.
- **Long-Term Orientation (LTO).** Hofstede added his parameter much later to his model. The LTO measure focuses on the degree to which a

society embraces, or does not embrace long-term devotion to traditional, forward thinking value. A low LTO ranking would for instance indicate that the country does not reinforce the concept of long-term, traditional orientation. In this culture, change can occur more rapidly as long-term traditions and commitments do not become impediments to change.

Essentially, there are two kinds of problems that can arise in communicating with people from across cultures as mentioned in the Hofstede model. The first is the inability to note and read the symbols that people from other cultures display; and the second is the tendency to attach to the symbols meanings derived from one's own worldview (read culture).

Let's take a simple example of two men holding hands or kissing each other ardently on both cheeks, which can be a very acceptable public behaviour between Arabs, but in America, such a form of greeting would instantly prompt onlookers to conclude that the two men are gay!

That's how prejudices get bred: from an ignorant learning. Other factors that can lead to cultural prejudices of any kind are:

1. Discomfort or fear in the presence of people who seem different from us, with a tendency to see and describe them in an overly simplified and overly generalised conceptual categories that over time become stereotypes, accepted and passed on without challenge
2. The need to enhance the cohesiveness of the group and the self-image of its members by excluding outsiders and labelling them as inferior
3. Economic factors, in which there are advantages to the ruling group in exploiting the outsiders, as in the institution of slavery, or in situations in which the outside group is seen as representing an economic threat
4. The projection of frustrations and hostilities onto minority groups as a form of scapegoating and tension-release for the ruling group
5. The operation of psychological defence mechanisms such as rationalisation

In a given situation, many such factors may combine to lead to the display of a prejudiced response to a member of another cultural community. And, often, once this pattern gets established, it takes a life of its own and becomes repetitive and self-perpetuating.

Understanding the Indo-Korean Similarities and Differences

Koreans like Indians have their basis in a predominantly agrarian society. They, like us have tight-knit family units that display shades of a patriarchal model, wherein the father and after him, the elder brother are the prime decision-makers. The second sibling doesn't have a very important role to play in the Korean family scheme of things.

It came as a revelation to me, when I first read in an American teacher's account of his stay in Korea that there is no equivalent word for "brother" in the Korean language (Hanguel, which has 10 vowels and 14 consonants). There are definitive words of address for an elder and a younger brother, but nothing to address a "brother."

An interesting insight into the Korean culture that this little trivia gives is that in keeping with the Confucian teaching of maintaining loyalty to a hierarchy of "five relationships" —— king to subject; father to son; elder brother to younger brother; husband to wife; and friend to friend, Koreans are able to order their value framework as well. In the Korean conscience (and this too, I consider a product of culture) loyalty is rated higher than honesty; family is more important than friends, the cleanliness of the home is more important than the cleanliness of the lane and so on.

Just a Minute...

Culture is not static. It is always changing; it is always modernizing. What are the tools of warfare today? It's the computer, or it's the college and high-school diploma? These things are there to help us live, help us survive, help our culture.

(Denny McAuliffe, former editor at the Washington Post, founder of the online student newspaper Reznet.)

In the Indian mind there are no such water-tight distinctions. Perhaps on account of our exposure to a pluralist culture, our values are not as strictly compartmentalized as the Koreans; a trait, which can have both an up and a down side to it. It makes us very accommodative of other people's worldviews; but, on the flip side, it also makes us very indecisive. Everything is "in" in case of Indians; while only a few, specific things are "in" in case of the Koreans, the rest are all out.

Explaining the intricacies of this "in" and "out" Korean culture, the American teacher wrote that Korean world essentially comprises of two set of people—those they know and those they don't know. So while a Korean friend can be extremely hospitable in his home; to the stranger on the street, he can be extremely rude or impolite.

The lesson that I drew from this text was that Koreans are very good to have as friends, though not so good to have as strangers, so the sooner you get into the act of befriending them, the better it is for you and them! You must try your best to get into their inner circle, but once there, don't try to get too close for comfort; because then, you could become a threat to the family hierarchies (remember between family and friends; family is more important?)

Quotable Quote

There are no foreign lands; only the traveller is foreign

- R L. Stevenson

That said, making friends with Koreans is not at all difficult, so long as you remember that no matter how close you may get, there would still be the "in" and "out" principle in operation when it comes to drawing a line between strangers and family; a threshold that no one can cross. So don't expect him to wink and casually dangle his arm around your shoulders in the manner of an informal *sardarji*, saying "*Ji Ayan No*" (Meaning, "most welcome into my home and heart.")

Meanwhile, I am pretty sure that Indians have plenty of idiosyncrasies of their own, which may be just (if not more) irksome to a Korean, but those I will leave for an FSE to write in his memoirs of his stay in India. All I would like to add about my experience of cultural clashes at LGEIL is that no matter how or why people are different, beneath all these simmering differences, there are also several traits in common that bracket us in the same category, as other human species.

And, there are several such common traits that we have discovered at LGEIL between "us" and "them": Both Koreans and Indians are family-oriented; both believe in arranged marriages, and last but not the least, both races consider education as a great leveller. In fact this last aspirational trait has only recently been acquired by Indians perhaps as a consequence of liberalisation, as earlier, our society was more divided along caste than education lines, but the Koreans have had it for quite some time, which explains why over 98 per cent of them are literate!.

Going to college is very important to every Korean. This may be because the income gap between a college graduate and a high school pass-out is immense in Korea. Again, as a point of difference for Koreans, "group" means everything, whereas Indians are more individualistic, trusting and want to be trusted.

Last but not the least, religion means a lot to Indians; wherever, despite the presence of Confucian and Buddhist influences, Koreans are not particularly a ritual-bound, religious community. They do believe in human values — as practiced in Confucian and Buddhist streams — but not on the *kumbh mela* scale, which remains the biggest congregation of devotees at one particular place on earth.

All these are however broad generalization. Individuals, as we continue to discover vary greatly depending on their personal attributes, experiences, education and evolving mindsets.

Problem-solving through Cultural Understanding

Anthropologist Ina Corinne Brown points out in *Understanding Other Cultures* "the most profitable way to look at culture is to see it as an adaptive mechanism, that is, to see what it does. In this sense a culture is a body of ready-made solutions to the problems encountered by the group. It is, as someone has put it, a cushion between man and his environment."

Tackling "Culture" at LGEIL

Big problems call for big, organic changes. And, since culture was once a big issue at LGEIL, we addressed it through a multi-pronged strategy, the contours of which are briefly etched below:

Communication Moved Mountains

We have discovered that if you throw two angry people into a room, lock them up and let them be, an hour later, they will bury the hatchet and come out of the room smiling and laughing. Try it. It's a simple formula and you'd be surprised with the results.

How Can Communication Barriers be Overcome?

We followed the following, simple steps:

- Set some ground rules of communication.
- Sensitised employees about the practices of the other culture through cross-cultural workshops, trainings, short-term courses etc.
- Put an impartial redressal mechanism in place for prompt resolution of any issue, relating to culture or anything else.

Putting a "Project Culture" in Place

Project culture refers to a partners' ability to create a "society" or a "way of thinking and working together" that operates across cultural teams. At the very minimum, it implies a shared value system or a common code of work ethics

How Can "Project Culture" be Evolved?

- By establishing a single point of responsibility
- By bringing together two individuals, representing two different cultures who have worked together in the past
- By giving at least 4-8 weeks "calibration" time for the cross-cultural teams to interact while working and know one another

Creating Space for Training

Collaborative minds don't just happen. It takes a lot of hard work and commitment to sustain such endeavours. While resolving conflicts that arise from cross-cultural clashes, we cannot exclusively direct our attention to what "is"—we must at the very least be concerned about what "could be."

A useful tool for understanding culture is the bell curve. The majority of a group will subscribe to a dominant set of beliefs, attitudes and behaviours. However, if you look hard, there would also be members that differ in significant ways from the median norm. These were the people, we appointed as facilitators at LGEIL. They feel in the median, grey band, so they could easily flit—and help others flit—across the extreme white or black bands, falling at either end of the cultural continuum.

I read somewhere that conflict arises because people belong to one of these two categories:

- **Collectivists:** They see conflict as a sign of social failure. Their comfort level with a conflict situation is often very low. In other words: they tend to avoid conflict.
- **Individualists:** Conflict is accepted as an inevitable part of life. They are not ashamed about it. Their tolerance for it is so high, sometimes, they actively invite a conflict by engaging in argumentative behaviour.

In my view (and I would have no scientific basis to prove this; it's just a personal observation that others might like to differ from) Koreans are Collectivists, while most Indians are Individualists, but if you put both these set of people in a team, you could have the composition of a great team because they would bring different set of values and strengths to the table.

The only potential problem with such a team would be, when you (as a third party) tried to intervene to resolve a conflict between them because:

- **Collectivists** are comfortable with a team mate addressing the conflict; they do not want a "stranger" from the outside; they will interpret it as intrusion into their privacy.
- **Individualists:** They prefer an impartial outsider, whose relationship to the team may be remote-such as a Human Resource representative or an external mediator.

  In my view, conflicts also arise:

  - **When needs and aspirations don't match:** Thomas (1976) defined conflict as the "Process which begins when one party perceives that the other has frustrated, or is about to frustrate, some concern of his (or hers)", or
  - **When access to power doesn't match:** Conflicts also arise when team members do not have the same access to power. When sources of power differ, expectations about how and when it will be used will also differ.

That brings us to the classic chicken-and egg dilemma: How do you resolve these issues? Do you go into the ring and let them slug it out in a bloody war; or do you treat them like mature boys and let them be, free to resolve the issue in the manner that they deemed fit?

At LGEIL, we followed this second option. In the end, we discovered that we could manage to establish teams that realized high performance through four, distinct phases of transformation:

- **Forming** – Establishing strong bonds and interpersonal relationships
- **Storming** – Brainstorming to clear the air
- **Norming** – Establishing certain ground rules of conduct
- **Performing** – All the above steps eventually contributed to high performance and a conflict-free environment at LGEIL

Conflicts Can Be Resolved If....

In *Cross Cultural Conflict Resolution in Teams*, John Ford suggests the following strategies for synergising teams and resolving conflict:

- **Know Yourself and Your Own Culture.**
- **Learn other person's expectations.**
- **Check Your Assumptions.**
- **When in Rome . . . ask questions.**
- **Listen—that's the first step of conflict resolution of any kind.**
- **Treat your team members as they would like to be treated—not as you would like to be treated.**
- **Acknowledge that all conflict is multi-cultural.**

In my understanding Team Synergy is maintained when the whole is greater than the sum of its individual parts. However, at LGEIL, we followed the reverse principle: We considered the individual as more important than the team (read cultural group); so after a while, culture conflicts ceased to matter at LGEIL.

Our commitment was not to a culture; but to larger organisational goals. In the end, it did not matter whether the Koreans or the Indians won; what mattered was that LGEIL won.

In *Leading On the Edge of Chaos*, Murphy and Murphy (2002) define commitment as "one's dedication to others in the pursuit of values and beliefs" (p. 39). In their view of leadership, commitment is made up of the seals and gaskets that hold an organisation together. Unless there is a strong seal of commitment, the organisation will break and destruct in turbulent times. Experiencing a sense of meaning and passion in work creates the indestructible seals that hold units and organisations together in volatile times. We have experienced this seal of commitment at LGEIL and we will always swear by it.

Finally, culture defines the way we live, feel, act, behave or think. It's a second skin that deeply affects everything we do, including the way we communicate and do business with each other. Differences between two cultures in values, perceptions and upbringing can be a major source of dissent or misunderstanding, however, with a little tolerance and understanding of the other's perspective, it is possible to overcome "n" number of such issues.

LG
Life's Good

7

The HR Lab

A PERFORMANCE-DRIVEN CULTURE THAT FOCUSES ON EMPLOYEE GROWTH HELPS LGEIL MAKE THE GRADE AS A SOUGHT-AFTER EMPLOYER

SYNOPSIS

- *With the help of various exhibits, this chapter puts the performance-driven culture at LGEIL in sharp focus and discusses various issues relating to cost-effective production measures, factory innovation and care for customers.*
- *In addition, the author elaborates on the HR System what he calls the LGEIL's backbone. There is a detailed account of various innovative HR initiatives that resulted in having in place "a family of happy workers".*
- *At LGEIL, the management believes that leaders are made, not born; and stresses on outdoor adventure to stimulate the mind.*
- *Quality mindsets will change attitudes and thinking process and ultimately lead to higher customer satisfaction, innovation and excellence, reasons the author.*

7. The HR Lab

A PERFORMANCE-DRIVEN CULTURE THAT FOCUSES ON EMPLOYEE GROWTH HELPS LGEIL MAKE THE GRADE AS A SOUGHT-AFTER EMPLOYER

It was just an ordinary day. Anooj Girhotra's (name changed) parents did not expect to find Dheeraj Agarawal, the HR co-ordinator at LGEIL at their doorstep. Their thoughts immediately flew to the safety of their son, a shop floor employee at LGEIL, who was away at Gandhidham on OEM duty. Is he safe? Has he been sacked?

Dheeraj's smiling countenance however betrayed their fears. Invited to a cup of piping hot tea and biscuits, Dheeraj revealed that he was a "family ambassador" dispatched by the company to inquire if everything was alright at Girhotra's home. Later, he discovered that something was really amiss. Anoop's mother confessed to Dheeraj that the couple were very worried about Girhotra's single status, so could Mr Agarwal, since he was here on a friendly visit, please put in a word with the management for their son's transfer to Delhi, as he had already completed his mandatory one and a half year's of OEM tenure?

People, a Prized Asset

Price, the most important P? Wrong. At LG Electronics, if quality comes first, it own people a close second.

(Beyond the Price Event Horizon, The Economic Times, 9-15 July, 1999)

Used to receiving such unusual requests from family members, Agarwal was non-plussed. He didn't promise anything immediately, but assured the couple that he would try to do something, although he wasn't quite sure what this "something" could be or whether the management would be in a position to entertain such a request because of business compulsions.

In this particular case, however, we ruled in favour of Girhotra and within a fortnight, he was back in Delhi with his parents.

So to make a long story short, I would say that LGEIL is an organisation where the Human Resource Department (HRD) is not a glorified name for the Industrial Relations (IR) office. We take our business of managing human assets seriously because we realise that an unhappy worker can never go on to make a happy, high performing company.

Blessed is The Man Who Found His Vocation

What work I have done I have done because it has been play. If it had been work I shouldn't have done it. Who was it who said, "Blessed is the man who has found his work"? Whoever it was he had the right idea in his mind. Mark you; he says his work—not somebody else's work. The work that is really a man's own work is play and not work at all. Cursed is the man who has found some other man's work and cannot lose it. When we talk about the great workers of the world we really mean the great players of the world. The fellows who groan and sweat under the weary load of toil that they bear never can hope to do anything great. How can they when their souls are in a ferment of revolt against the employment of their hands and brains? The product of slavery, intellectual or physical, can never be great.

- Mark Twain

All this has been made possible because developing HR systems for LGEIL was a field left wide open to us; a field where we've continued to enjoy complete autonomy. Realising that the consumer durables industry is a cut-throat sector, where if you make mistakes, you can sink hook, line and sinker (look at BPL and how it got completely washed away from the market; or, take Electrolux's example that had to sell off its home appliances division) we were careful about surviving in the tough market on the strength of a people-centric approach.

It was a time, when globally, a majority of established consumer durable brands were passing through an extremely difficult phase. There were times, when the CPT/CDT manufacturers were uncertain about the future. The world accepted brands were gradually phasing-out from the market, their places taken by LG Electronics or Samsung, that were, regional entities at that time.

One reason for this was that although liberalisation had been ushered in, the market was still very protective of Indian players, who continued to wield clout in a market that bore shades of monopolist rule. This continued for a few more years with the outcome that there were still slew of high cost, low-quality products flooding the market.

Establishing ourselves as a leading technology provider and a cost-competitive player at that then represented the best

strategy to etch a place for ourselves in this kind of a market. But for that to happen, we had to first focus our attention on the key drivers of LGEIL, i.e. our workers, blue and white collared.

To begin with, we decided to customise and localise some of our people practices. We wanted our HR systems to be global in orientation but local in execution. Some of the key challenges that caught our attention in 1997 were...

1. Creating a Performance Management System that would be totally fair and non-partisan
2. Creating an emotional bonding and commitment to the company goals by making it rewarding for people to work for LGEIL
3. Developing a cross-cultural understanding between different ethnic groups working for a common purpose at LGEIL

Managing Performance

Implementing some of these changes was fraught with many challenges. However as results of our labour began to filter through, the acceptance from the managers lower in the hierarchy came easier. Eventually, we had secured the 'buy in' of all our staff.

Banking On a Common Strategy

At LGEIL no one has propriety over ideas. Innovation can come from any quarter, which is why we try to involve every employee in our strategic planning process, which is indisputably the most solemn, ceremonial exercise undertaken at LGEIL with a lot of employee fanfare.

Strategic planning at LGEIL commences in all seriousness from 3rd quarter onwards, and involves intensive deliberations, keeping in view all the macro and micro business objectives that flow from the Big Ys and the little Ys of each department.

Shorn of all jargon, the Big Ys are organisational goals set for the next financial year in the current year. And, the Small Ys are nothing but profit percentages of all the products in our portfolio. The Big Ys and the Small Ys later get translated into the KPI's of each department.

In our understanding, strategy planning involves knowing where to put your precious resources. It's the art of forecasting future markets,

imagining all the "what if" scenarios, predicting what kind of customers we are going to serve five years down the line, what technological changes might happen then and looking internally to determine what systems have to be put in place to meet those challenges. In fact, at LGEIL, the timelines that we predict for are even shorter, just one year. Rain or sunshine, the process is repeated without fail, every year.

"Strategic planning is not a substitute for crisis planning," writes David Stauffer, the author of *D2D (Dinosaur to Dynamo): How 20 Established Companies Are Winning in the New Economy*. "It is, in fact, the opposite of a one-track preparation for a single event," he adds, and that's exactly the kind of planning we undertake at LGEIL.

It's the glue that holds our key stakeholders together through the interwoven threads of a common dream. We commit to share a dream at an organisational forum and then develop goals and processes to realise that dream. It's our blue print for progress. It reveals to us why LGEIL exists and how it can become more powerful and productive in the future. Meanwhile, it also helps our team members determine whether they are fulfilling the organisation mission or whether it's time to change a few (or all) of the earlier-set goals. In other words, it's a process of mid-term course correction.

Above all, this annual exercise builds ownership in the organisation. It gives everybody an opportunity to share feedback on what's working, what's failing and what's missing in the organisation. Often companies don't need radical new strategies to change, in our opinion. Instead what they do need is to radically broad-base their processes in order to always be ready to come up with a winning strategy, much more when the market conditions have changed for better or worse.

What is Strategy?

As Michael Porter, Bishop William Lawrence University Professor at Harvard University, writes, "Strategy involves continuity of direction. It helps you identify the underlying environment indicators that might affect your key performance indicators."

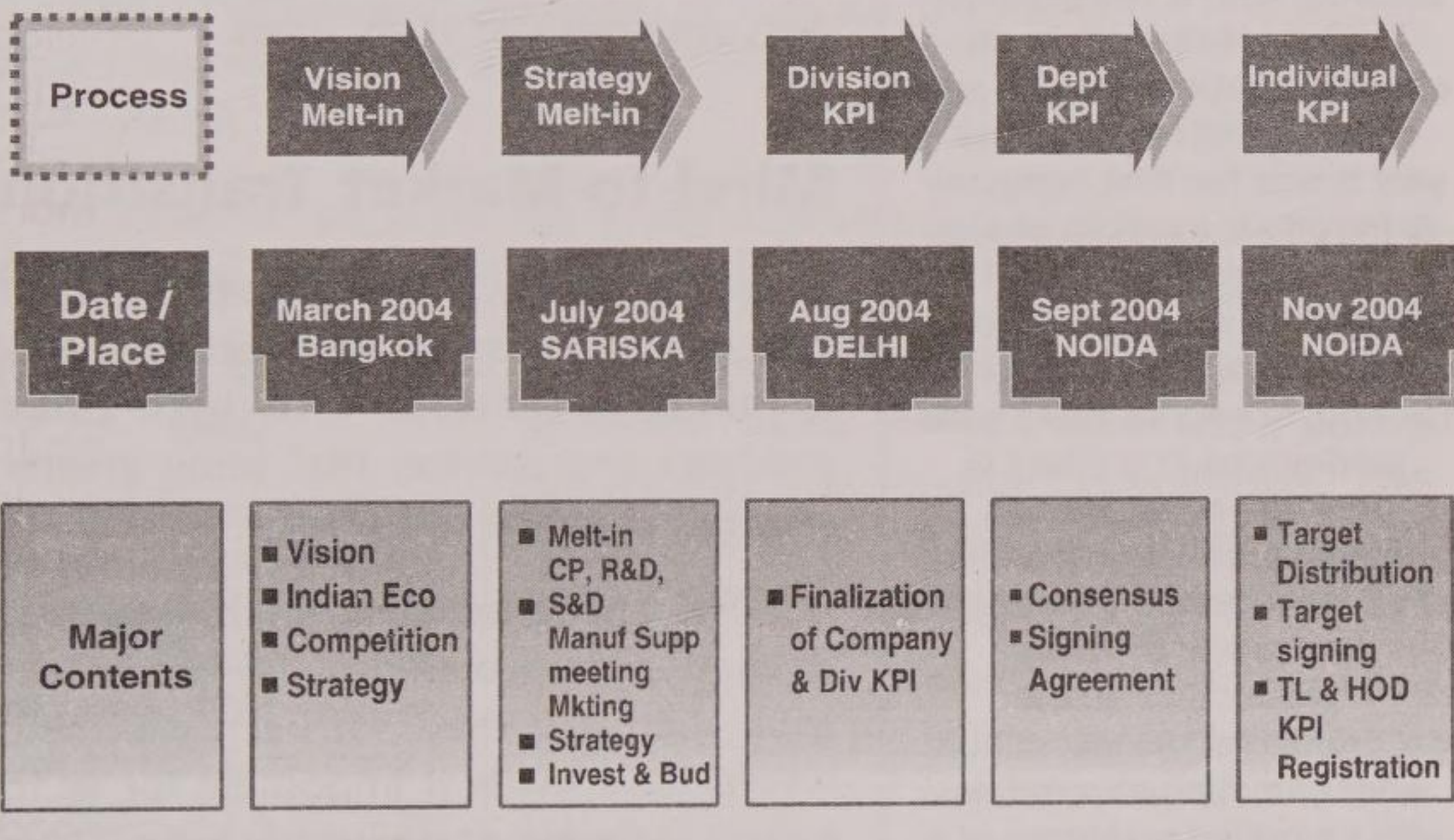
And, in all this the role of a strategist (whether internal or external) is to diagnose future scenarios and predict various outcomes. He is also called upon to diagnose a problem even before it has actually occurred. Whether the solution eventually recommended is followed through or not is of course the leaders' responsibility and also the responsibility of the middle management, who have to secure the "buy-in" of the rank and file but the strategy does has to move from the paper process to the people process.

Most companies do this, but the differentiating factor in our case is that the implementation process starts immediately after the plans have been finalised. This gives us a competitive edge, as by the time our competitors are ready with their plans, we have already realised half our goals, even though these were set 20 – 30 per cent higher than those set for the previous months!

From Annexure 7.1 it's clear that KPIs get frozen at LGEIL over nine-month process that finally gets rolling from March/April onwards. In 2004, we called this kick-off meet at Bangkok wherein all company big wigs were flown in to the Thai capital. It was appropriately called the "Vision Melt-in." At another such meet held at Sariska, Rajasthan, everybody from the Corporate Planning department to the R&D and S&M Teams were invited to attend the highly ceremonial event.

Annexure 7.1

KPI (Key Performance Indicators) Finalization Systems



Indeed what is unique about the LGEIL KPI exercise is we make sure that at least 30 per cent improvement gets reflected in the key parameters that we set for each year. In our view, the worst strategic plan is the one that sits in an unopened binder on the CEO's bookshelf. Fortunately, that's not the case with LGEIL. From this mother plan, we extract month-wise, quarter -wise plans, that are so sacrosanct they cannot be changed at will and certainly not unilaterally. Some freedom for action is encapsulated in our Tear Down Re-engineering (TDR) project that I will discuss later in this chapter, otherwise the rest remains cast in iron letters.

Reviewing Performance

Sometime ago, while flipping through the pages of *Hindu* newspaper, I stumbled on the following lines, written, believe it or not, by a class XI student: "Every job is a self-portrait of the person who does it. Love your work and autograph it with excellence."

Wise words those. If I were asked what is the one factor that has contributed most to LGEIL's super performance, I would unhesitatingly say, our rigorous performance review system.

It may sound as an onerous task but all key performance parameters at LGEIL get reviewed on a weekly basis, without fail. The less critical ones get reviewed on a fortnightly or monthly basis, but the critical ones are reviewed every week.

Mind-to-Market Transition

In simplistic terms, innovation is the art of welcoming risks; of transferring path-breaking inventions into high-value products and services that bring greater satisfaction to the customers.

The innovation methods that we have devised or improvised at LG are patent tools that, had they not been executed, would have made it impossible for us to ascend to the No.#1 position in India. These run the gamut of Big Y, QIC, TDR, Fi-10, Six Tools, NWT and recently, the Blue Ocean Innovation tools that have contributed massively to the mind-to-market transitions that we have witnessed at LGEIL.

The reason these complex tools have worked so well at LGEIL is because, over the years we have managed to establish

An Engine of Growth

To promote LG's image as an innovator, Kim wants the company to offer more attention-getting products. In Las Vegas it rolled out a $15,000, 60-inch plasma TV with a built-in digital video recorder. And it showed a stand-alone digital video recorder with a 160-gigabyte hard drive that offers an electronic program guide and can connect to a PC. Last year it was the first company to introduce a mobile phone that can receive digital TV broadcasts, and it launched a refrigerator with a built-in LCD TV. And, of course, there's the gold-plated 71-incher LG pitched as the "world's biggest production plasma TV." Unfortunately for LG, it had to add the word "production" to the description at the last minute after Samsung showed up with a working prototype of a 102-inch plasma model. Still, LG fared well: It got 16 innovation awards at the show—more than any other company.

S.S Kim, Vice Chairman and CEO, LG Electronics in an interview to CNET News.com (Newsmaker: Moving Mountains at LG, December 9, 2004)

channels of communication that have broken-down these complex tools into easy-to-digest nuggets for the lay employee.

Armed with the triangular objective of Innovation, Openness and Partnership, we have managed to map LGEIL's future with a string of TDR- defined stretch targets (Super–A targets) that are implemented not just at the organisation level, but also at the vendor and supplier' levels. Following is a brief timeline of how these tools got introduced at LGEIL:

In 1997, the following tools like Employee morale and Quality Innovation tools, such as MI & 5S Training, 6 Tools, 100 PPM and 5S movement were introduced.

From 1998 onwards, we began to focus on Factory Innovation and introduced Fi-10 and NWT systems

Gradually, Vendors Also Get Roped In

Shopla. A vendor of plastic parts, managed to save $ 16,000 through these initiatives. The AC panel vendor reduced defective PPM from 10,000 to zero from September 2000 to November 2000. Says Kim: "We have saved US$ 1.1 MILLION in 2000 because of these initiatives and hope to save US$ 4.4 million this year.

(Master of the Game, Economic Times, January 12-18, 2001)

In 1998-99, we went the whole hog to implement new innovation pillars such as TDR, Six Sigma, QIC, and FRP.

Straight from the CEO

We occasionally repeat the same inefficient and unproductive processes, due to limited resources and time. TDR enables us to solve existing problems on a different level while finding innovative solutions, thus maximizing the creation of value and minimizing losses.

S.S Kim, Vice Chairman and CEO, LG Electronics in an interview to CNET News.com (Newsmaker: Moving Mountains at LG, December 9, 2004)

Finally, by the year 2002, we had brought in the Six Sigma at the worker level, besides customising our training programmes, TDR workshops, Black Belt Pool activity and the LGE way of learning in a big way

It would be relevant to mention here that these are not just big-selling management *fundas* picked and applied at random at LGEIL. Over the years, we have studied these concepts thoroughly, brainstormed their practical utility, customised their applicability and last but not the least, secured the full buy-in from our employees, before implementing them in a phased manner at LGEIL, and not brought them in as some half-baked strategy.

Had we blindly imported and implanted these practices, they would have remained alien

The TDR Process: How it Works

The TDR process starts with the establishment of a Super-A Plan and drawing up an action plan to achieve the Super-A target –which, for instance, was achieving a sales turnover of US$ 222 million in 1999. Each department analyses the critical issues that will help them achieve the Super-A target. They identify problems which are related to the department's Key Performance Index (KPI). The guiding principle: they should contribute directly to the company's operations, and lead to cost, quality, or productivity innovation, improve processes, or enhance customer-satisfaction. Once a TDR theme is decided, the concerned department head nominates a TDR leader, who, in turn, selects his team members and draws up a TDR target and schedule. But most often, it's either the Super-A team or Kim himself who sets a target.

After a basic TDR plan is established, the TDR theme is registered with the Super-A Team, while branch TDRs are registered with the HR department. The process is formally launched when the TDR leader reports his or her TDR theme to the CEO, which is followed by a signing-in ceremony to register the TDR – an agreement directly between the CEO and the TDR leader. Kim, personally, reviews the progress made by each TDR on a weekly and monthly-basis, and often suggests major changes. His direct involvement ensures that decision-making is fast. For instance, if the achievement of a TDR target requires additional investment, Kim can sanction the same if the investment is feasible. At the end of each quarter, all TDRs which attain their targets make a presentation to Kim. The best three TDRs in a year are awarded at the end of the year – as a token incentive, the 1999 winners were given a microwave oven each.

Thanks to the TDRs, LG was able to achieve a cost-innovation of $5 million (Rs 22 crore) in 1999, by improving the productivity of people and processes.

(Re-engineering: the LG-Way, Business Today, http://india-today.com/btoday/netexcl/netex2107/ranju-lg.htm)

to our culture, as I see happening with so many other organisations. Our idea was first getting introduced to these practices and then embracing them into our culture.

Tear Down Reengineering

By now, everybody knows that TDR is synonymous with the innovation movement at LGEIL. As the name implies, TDR involves fixing problems by breaking down complex processes into smaller, easier-to-track units. Ideal for a process-driven company such as LGEIL, TDR practice was introduced at LGEIL in 1999 by Super–A Team and since then has produced such amazing results that it has become a management study in its own right.

Benchmarked by Korea Digital Appliances Division that introduced this activity under 3 by 3 Movement (Under which every goal has to be tripled over the next three years) in 1997, TDRs were registered to cater to eventualities such as high loss of productivity, delivery time, field problems and service call ratios, to identify a few. The salient points of this tool are:

1) They are not registered top-to-bottom, but bottom-to-top

2) TDRs employ the ECRS Approach i.e., Eliminate, Combine, Re-engineer and Simplify

3) The concept banks heavily on CFT i.e., the formation of cross- functional teams

To explain this process further, **elimination** involves a gradual phasing out of all the non-value added processes; **Combination** implies clubbing of all short cycle operation into one; **Reduction** entails stemming needless resource wastage; while **Simplification** is just a break-down of complex into simple operations in order to reduce worker fatigue. In our opinion, of all these sub-processes, waste control is by far the most important, which is why I have explained it in detail in a subsequent section of this chapter.

What TDR Implies

Take the example of the CTV line, which was making 700 TVs per day last October. Through TDR, it reached 800 per day in December and now the line is churning out more than 1,200 TVs per day. It's a little more than more TV per TV.

(Beyond the Price Event Horizon, The Economic Times, 9-15 July, 1999)

About Six Sigma

Six Sigma helps teams to get to problems they don't know. For instance, in the washing machine line, defective PPM (Parts Per Million) reduced by 50 per cent from 34,000 to 17,000 from October 1999 to October 2000 and productivity went up 50 per cent from 1.3 sets per man hours to 2 per man hours during the same period. Teams also look for ice formation in air conditioners. The project was selected as this was a major defect, a repetitive problem, rework costs were very high and rework time loss was high. By September 2000 the project achieved zero defects from June, when the defective PPM was 890 and the cost saving was about $4000.

(Master of the Game, Economic Times, January 12-18, 2001)

At LGEIL, TDRs are registered under various categories such as Quality Innovation, Process Innovation, Cost Innovation and Market-driven Innovation. I personally consider the TDR activity very useful in driving breakthrough performance instead of incremental change. The results that we have achieved with this tool have been dramatic, that you need to carefully go through the two case studies of our TDR projects in Annexure 7.2 and 7.3, to be convinced of its full merit.

Cracking the Big and the Small Ys

The Big Ys and the Smalls Ys get decided around August when all the senior managers meet to review the current year's performance and assess market orientation, price trends, raw material supply, competitors' strategies etc.

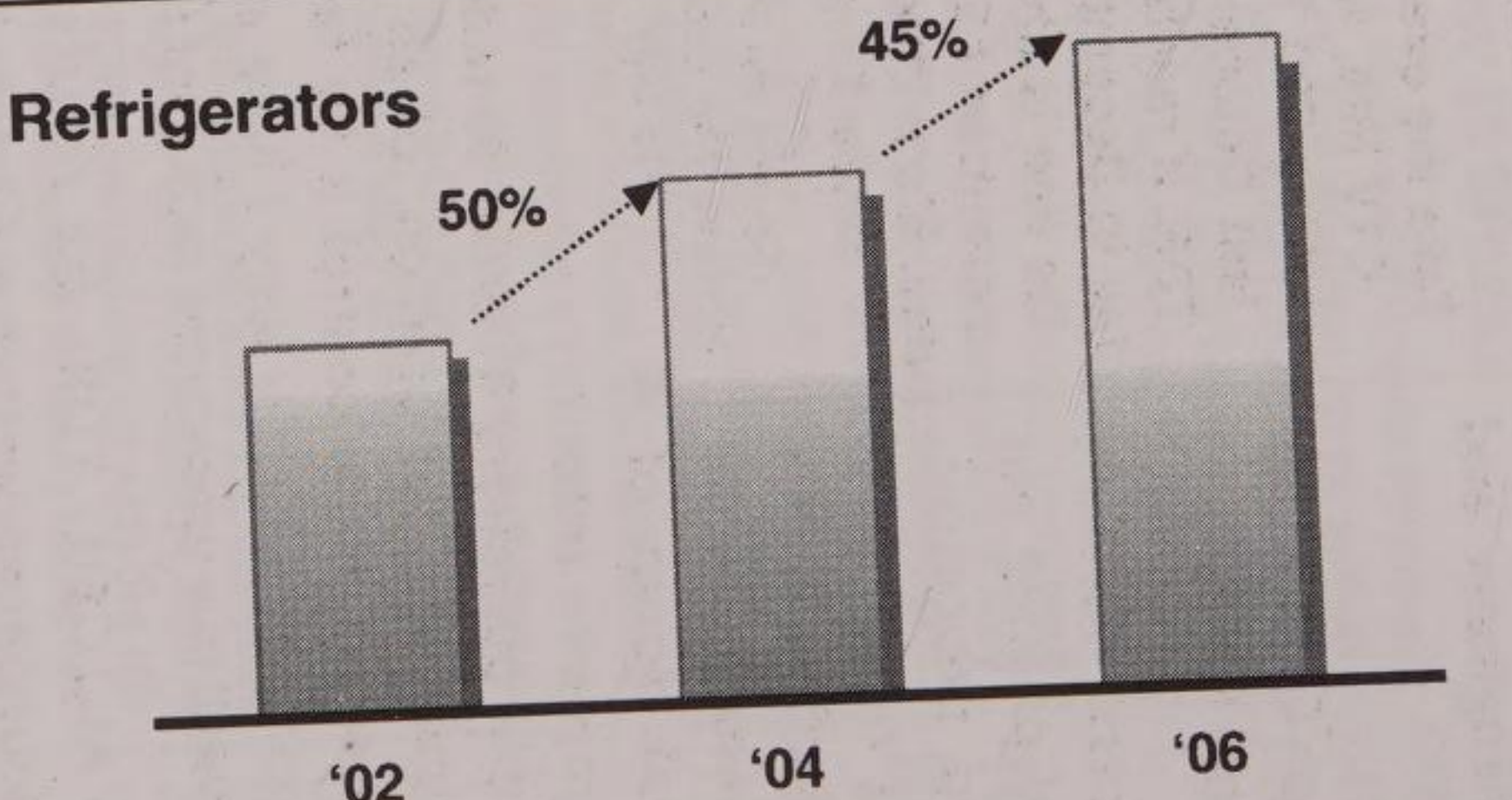
Annexure 7.2

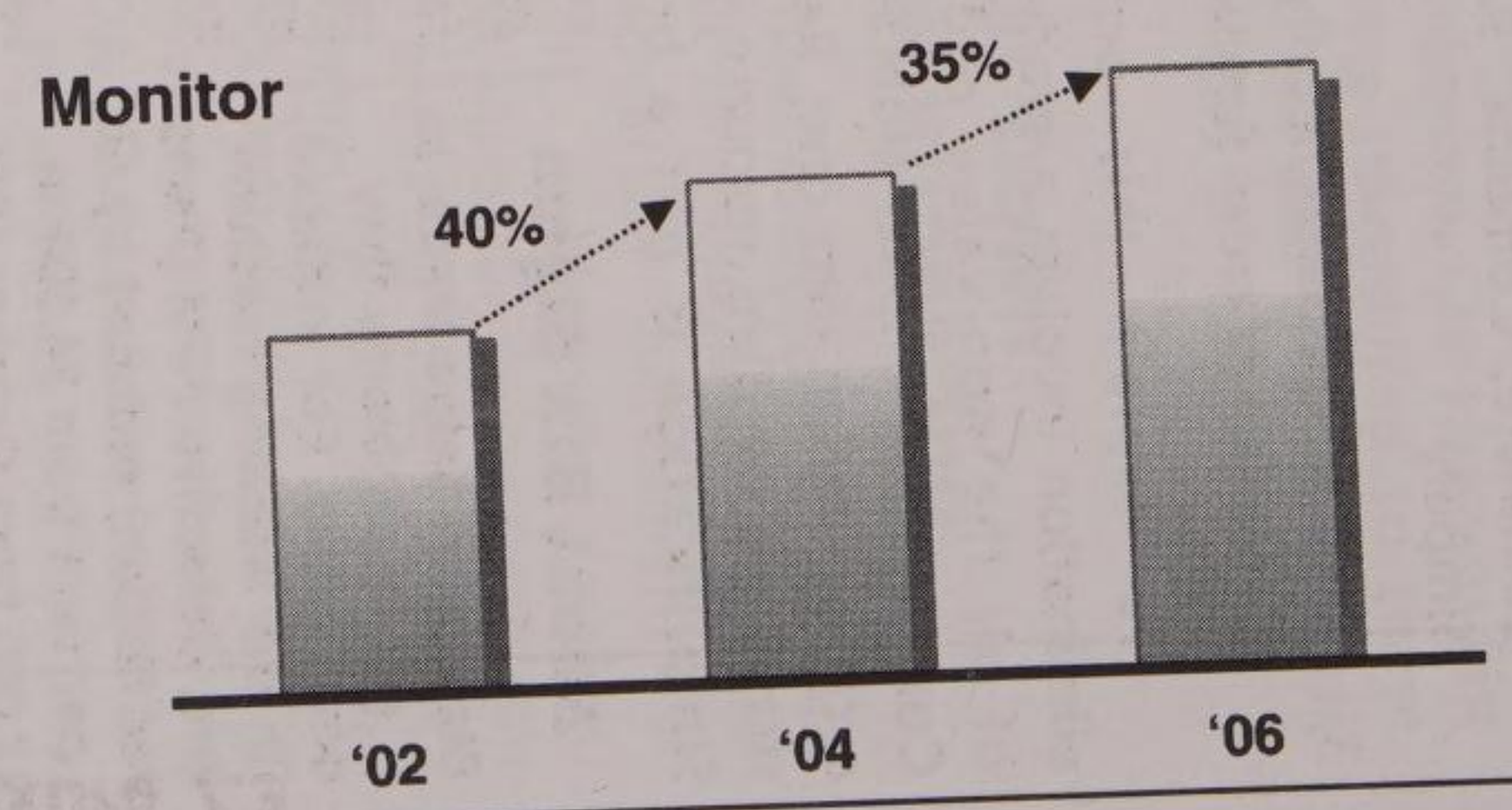
Productivity Trend

Productivity i.e. sets/ manhour is a very focused activity at LGEIL. Every year, major innovations are compulsorily done twice during block closures.

Productivity is generally measured by ratio of output to input, where output is no. of sets produced and input is man-hours required to produce the target production.

Continuous efforts to reduce **neck time** (highest stage cycle time) and **process optimization** has resulted tremendous productivity improvement every year (pls refer to graphs)





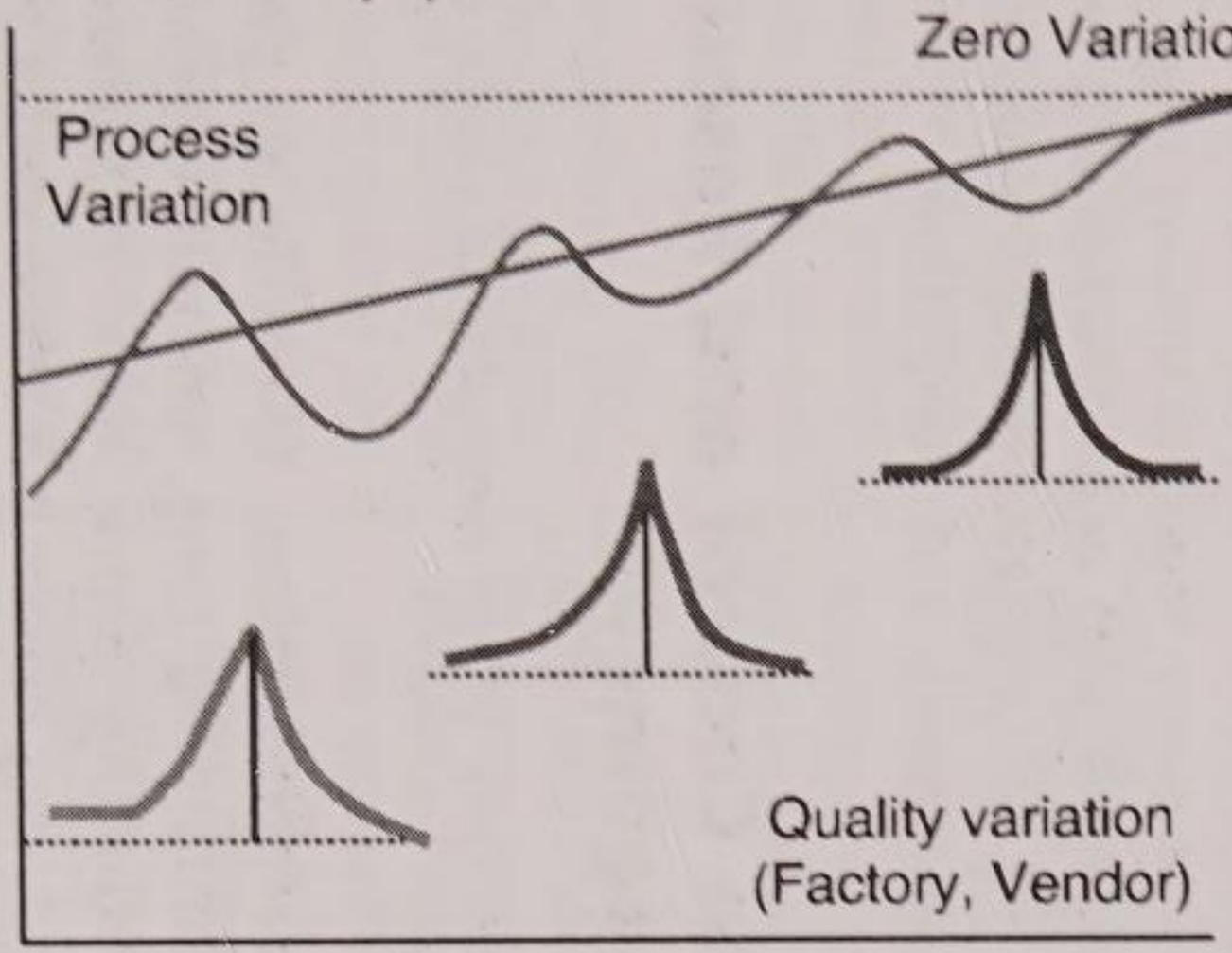
Annexure 7.3

Factory 100 PPM

Need

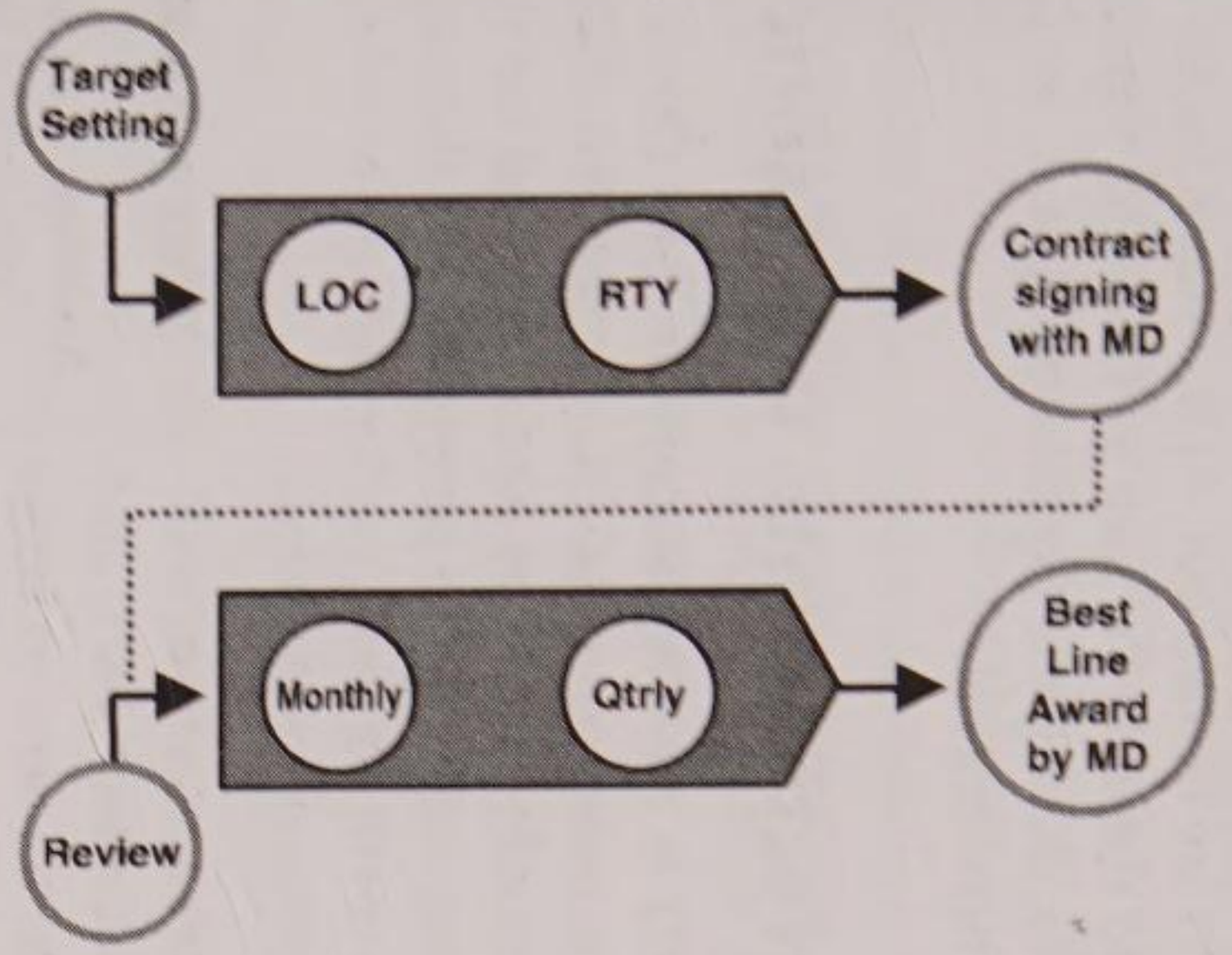
- Factory 100 ppm campaign is focused on improving the quality and productivity both at factory and vendor end.

The ultimate aim is to improve customer satisfaction by reducing the process and quality variation.
The targets are freezed after contract signing by MD.
It is reviewed every month and the best performer is awarded every quarter.

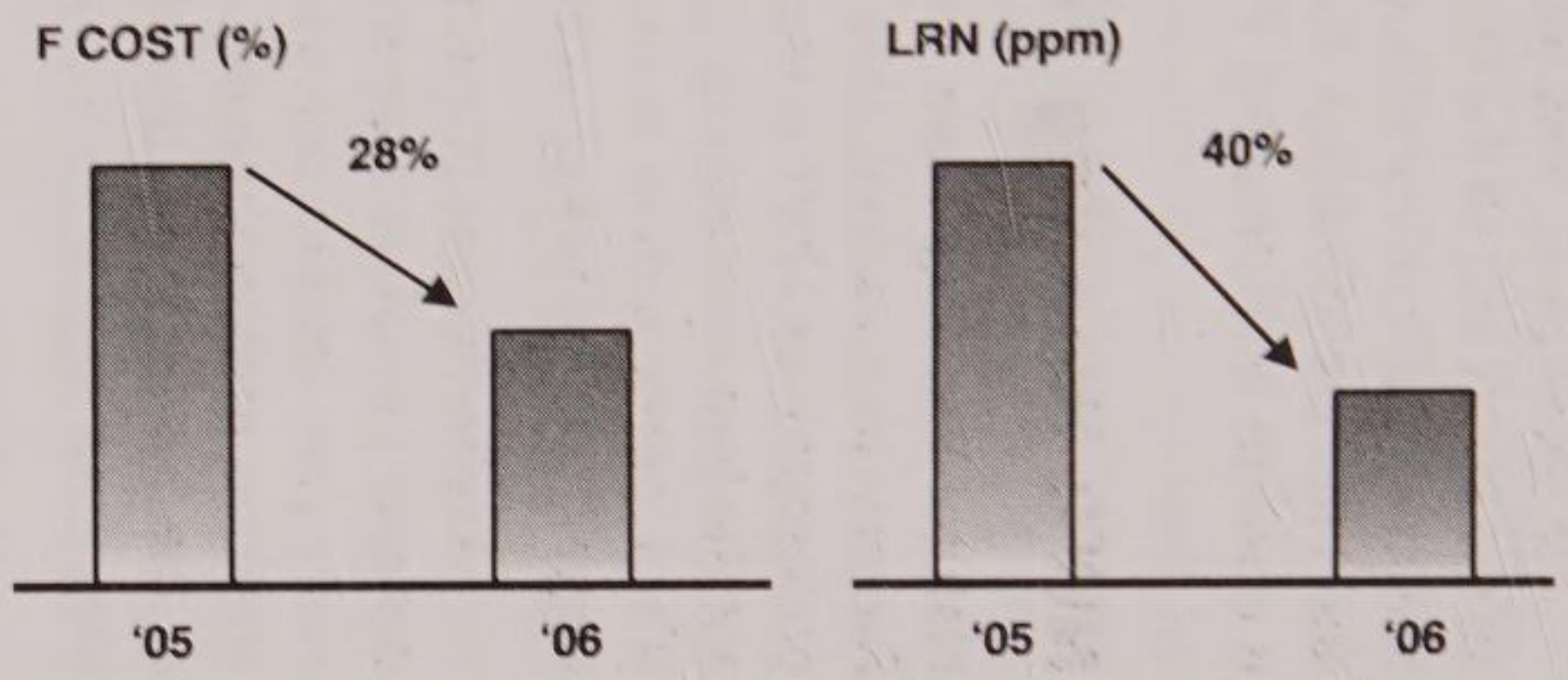


Quality Improvement (Factor, Vendor)
Productivity Increase
Customer Satisfaction

Process



Output



In some cases, they may also signify volume or turnover statistics. After all the Big Ys and all the little Ys are fleshed out. At this stage, major planning activities that can contribute to the little Ys, such as TDRs, Six Sigma projects and FRPs are identified. Finally, during the fag end of August, an HQ Audit is done to assess the Big Y achievements.

NWT: Weaving Perfection into Our Fabric

Natural Working Team (NWT) is an integral part of Fi-10 (Ten pillars for Factory Innovation) that we practice at LGEIL. Essentially, the guiding philosophy of NWT is that people—and not hired, external consultants—are the best resources to finding solutions to problems that they are facing. It's a participative management system under which workers moot suggestions for better work place management.

As practiced at LGEIL, there are certain well-defined processes identified under NWT and every year workers are trained on how to build effective problem-solving teams to crack some of the vexing issues that they may be facing at that time.

Under this programme, we register approximately 50 NWT per quarter. A leader is appointed to oversee the team's functioning and develop activities to control the rejection level of faults at every problem-solving stage. These teams meet at least once a week and are kept motivated and engaged through a well-defined system of rewards and recognition.

Waste Control and Resource Management

We undertake seven measures of waste control at LGEIL:

1. **Overproduction**: There is no point in maintaining long, unused inventories. Producing more than demanded or producing before it is demanded is not the LGEIL way of doing things.

More Savings

Another area which is important to TQ (Transaction Quality) Six Sigma. Says Kim, "Purchase sales accuracy is very important, it reduces inventory and saves interest costs and optimises space." The initiative in this area was started in February 2000, when import inventory stood at 51 days. By September 2000, this was reduced by 51 per cent to 21 days and local inventory—which stood at 12 days—reduced by 58 per cent to 5 days during the same period. Total inventory reduced by 52 per cent from 32 days to 15.7 days.

(Master of the Game, Economic Times, January 12-18, 2001)

2. **Work in Process** : Materials between operations, if a production lot is large or a process has a long cycle time, are also kept to the minimum.
3. **Transportation**: Transportation, in our view, does not add any value to the final product. Therefore, instead of improving transportation, it should be minimied or altogether eliminated (e.g., forming cells).
4. **Processing Waste:** Waste production can also be minimised by questioning the utility of every processing step or asking ourselves why a particular product is being produced at all. All unnecessary processing steps must be gradually phased out.
5. **Motion:** Again, the movement of workers, machines and transport (e.g., due to the inappropriate location of tools and parts) could signify a waste of time and resources, so instead of automating motion, the operation itself should be improved.
6. **Waiting:** Needless waiting for a machine to process an operation must altogether be banned. The thumb principle here must be to maximise the utilisation or efficiency of a worker instead of maximising the utilisation of machines.
7. **Churning Out An Assembly of Defective Products:** This, in our opinion, represents sheer waste of resources and efforts. We must concentrate on preventing the occurrence of defects instead of finding innovative means of repairing defects.

The Ten Pillars of Factory Innovation

Fi-6 activity was started at LGEIL in 1990s mainly to strengthen our production system. Before actual implementation, we laid some groundwork in terms of mindset training for Line Leaders and workers. In 1999, it was called Fi-10 but in 2005, it was rechristened as Fi-6.

The activity has following components: T5S, RTY P (Productivity), RTY Q (Quality) Logistics Innovation, Autonomous Operation and EESH. The Fi-6 team comprises of a leader who guides the activity and a committee that periodically evaluates, appraises and rewards the team on a monthly basis. This goes a long way in not just improving our factory systems but also in promoting healthy competition among our workers.

Train and Perfect

Training is the other big thrust area. LG boasts of an average of 6.3 days of training per person per year, which is 51 hours of training. Even in the 100 best US companies, it is 43 hours per year of training. This year, we are setting a target of 9.2 days per person.

(Beyond the Price Event Horizon, The Economic Times, 9-15 July, 1999)

LGEIL's Backbone – The HR System

A case study that motivational guru Shiv Khera loves to share at his "Blueprint for Success" workshops is shared below:

Some years ago, the management at Ford Motors wanted to find out what combination of factors motivated their employees. They handed over a list of ten factors to their executives and managers, asking each group to rank the factors on a sliding scale, starting from the best to the least important motivator.

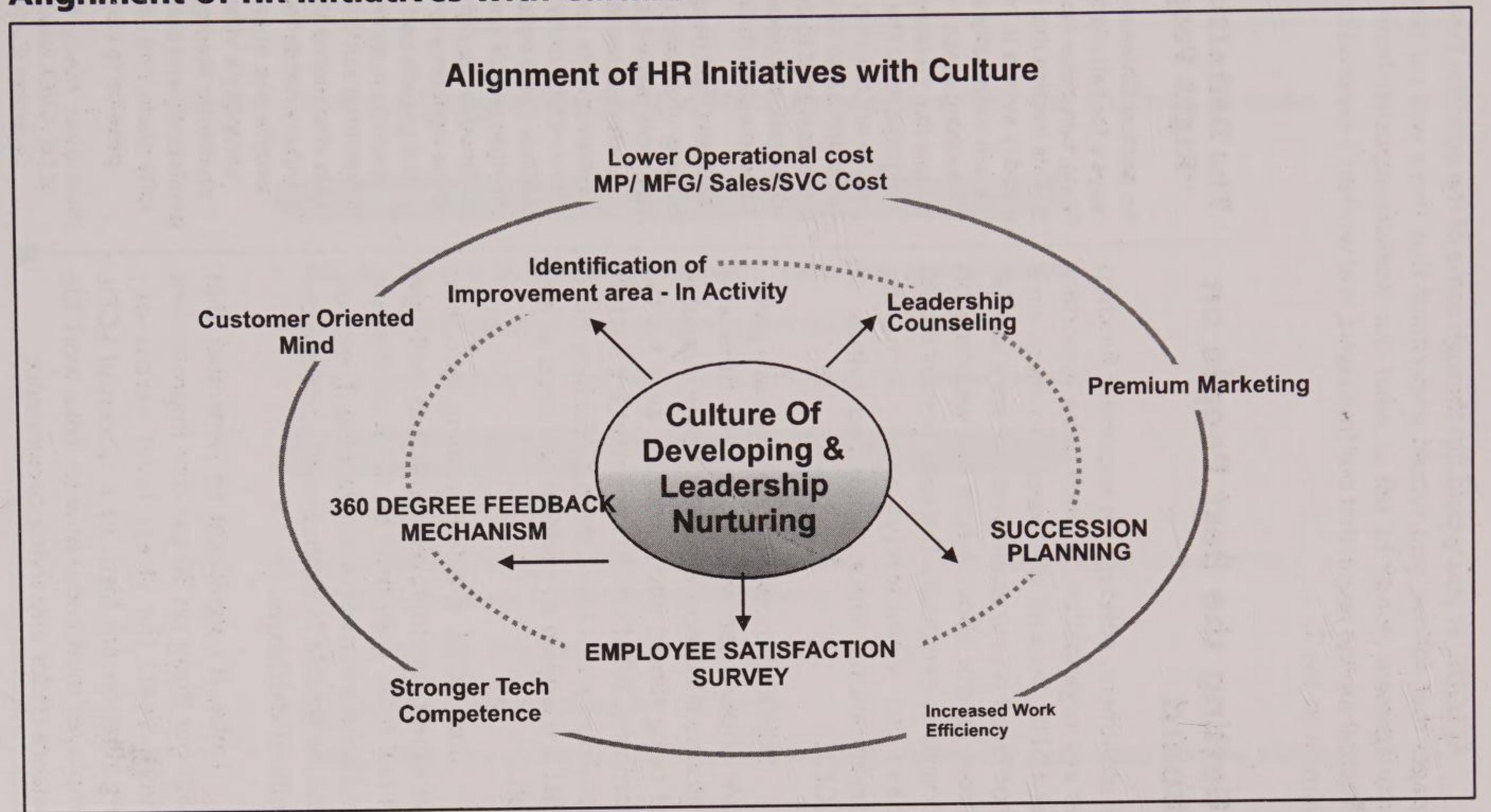
Annexure 7.4 explains the model that aligns the various HR initiatives with culture at LGEIL. These points will be discussed at length later in this chapter.

The results were revealing (see box): The managers' understanding of what motivated their staff was at complete variance with the executives' rating. In the executives' need hierarchy, appreciation, which is often dismissed as a feel-good, 'hygiene' factor by HR managers, won hands down, while 'good wages' figured somewhere in the middle and discipline (understandably) at rock bottom. The managers in contrast, ranked high wages as the No.#1 priority of their staff, followed by job security and promotions.

Management's rating	Staff rating
1. High wages	1. Full appreciation of work done
2. Job security	2. Feeling of belonging
3. Promotions	3. Help on personal problems
4. Good working conditions	4. Job security
5. Interesting work	5. High wages
6. Personal loyalty to supervisor	6. Interesting work
7. Tactful discipline	7. Promotions
8. Full appreciation	8. Personal loyalty to supervisor
9. Help on personal problems	9. Good working conditions
10. Feeling of belonging	10. Tactful discipline

Annexure 7.4

Alignment of HR Initiatives with Culture



At LGEIL, as you would flip through some of the activities listed on the pages that follow, you would understand that there was no need for a management *pundit* to tell us what our workers expected from us. Our internal surveys reveal that our (managers' and workers') expectation match, almost to the T.

Getting the Best People on Board

Recruitment, although an important function at any organisation, is much more important at LGEIL. Because we expend so much time and effort on our employees, we are a wee bit more careful about whom we welcome on board, as eventually the new person would have to completely align with the organisational vision, goals and culture of LGEIL.

Skills and knowledge are taken as a given. We know that with adequate time and resource allocation, every employee is capable of being turned into a winning asset for the company. What's more important are the soft attributes and a keen, sharp, inquisitive mind that is energised to perform and excel at any job.

Since LGEIL is a fast growing monolith, we expect our employees to react to challenges in real time. They must be quick on the take and believe in meticulous planning. They must also be flexible in dealing with various cross-cultural challenges.

Lastly, it's significant to remember that with our thrust on 30 per cent improvement every year, the stress level across our organisation are high, so a successful LGEIL employee must know how to strike work-life balance under any trying circumstance.

The Definition of "Right People"

An ancient Chinese proverb says a foolish old man (Yu Gong) can move mountains. This implies that if one steadily strives in his work, he will eventually achieve something great. I refer to people like Yu Gong as the right people. The right people are the very people who delve into what they are assigned to do and move forward persistently to accomplish their goals.

Also, the right people will become great people when they grow mature, come up with substantial achievements and are armed with unrivalled abilities. I also believe that the right people should be assigned to the right place at the right time to realize fast growth and fast innovation, as well as substantial achievement. This also means that the company needs the right people who share the company's values, challenge themselves persistently and boldly with lofty goals, and have the passion to work.

(Newsmaker: Moving Mountains at LG, CNET News.com, December 9, 2004)

Annexure 7.5

Monitoring

Mentor - Mentee Program helps the New Joinee to adapt the Culture at ease

Concept

- Mentor Mentee System helps **Smooth Transition of new joinee.**
- Cultivate the sense of belongingness in employee.
- It's a good activity for coaching and counselling the new employee.

How it works?

- Each employee who joins the company has a mentor.
- Each Mentee has a HR Coordinator who meets him once a month and takes formal / Informal feedback (continued for 18 months).
- Check his/ her Job Description and satisfaction level.
- Tries to help him in solving his problems.
- HR Coordinator also monitors whether the Mentor is actively associated with the Mentee.

To pre-empt the selection of a candidate who does not fit in with these organisational demands, we have devised what we dub a 'Negative Interview,' system, wherein we deliberately present the worst case scenarios to a prospect so that he or she can take stock of what may lie ahead. It is another matter altogether that the real scenarios at LGEIL can often be more challenging than those simulated on computer screens!

Meanwhile, we also take them through a battery of psychometric tools whose results have been found to be highly reliable and valid in real life case applications.

Holding Hands

These days many organisations run mentoring programmes, but the differentiator in our case is the involvement of an HR Coordinator, who facilitates the process. For details check out Annexure 7.5.

Countering Negative Through Positive

Negative management traits, such as poor execution of decisions, ducking challenges, and tolerating excuses, are overcome with bonus schemes that can add 80% to salaries.

(How Korea Conquered India, Fortune, April 19, 2004)

We Are Willing to Pay the Price of Superior Talent

When I joined LGEIL, we were following the standard compensation structure, similar to what other LG subsidiaries in other countries were following. It did not factor in Indian industry trends.

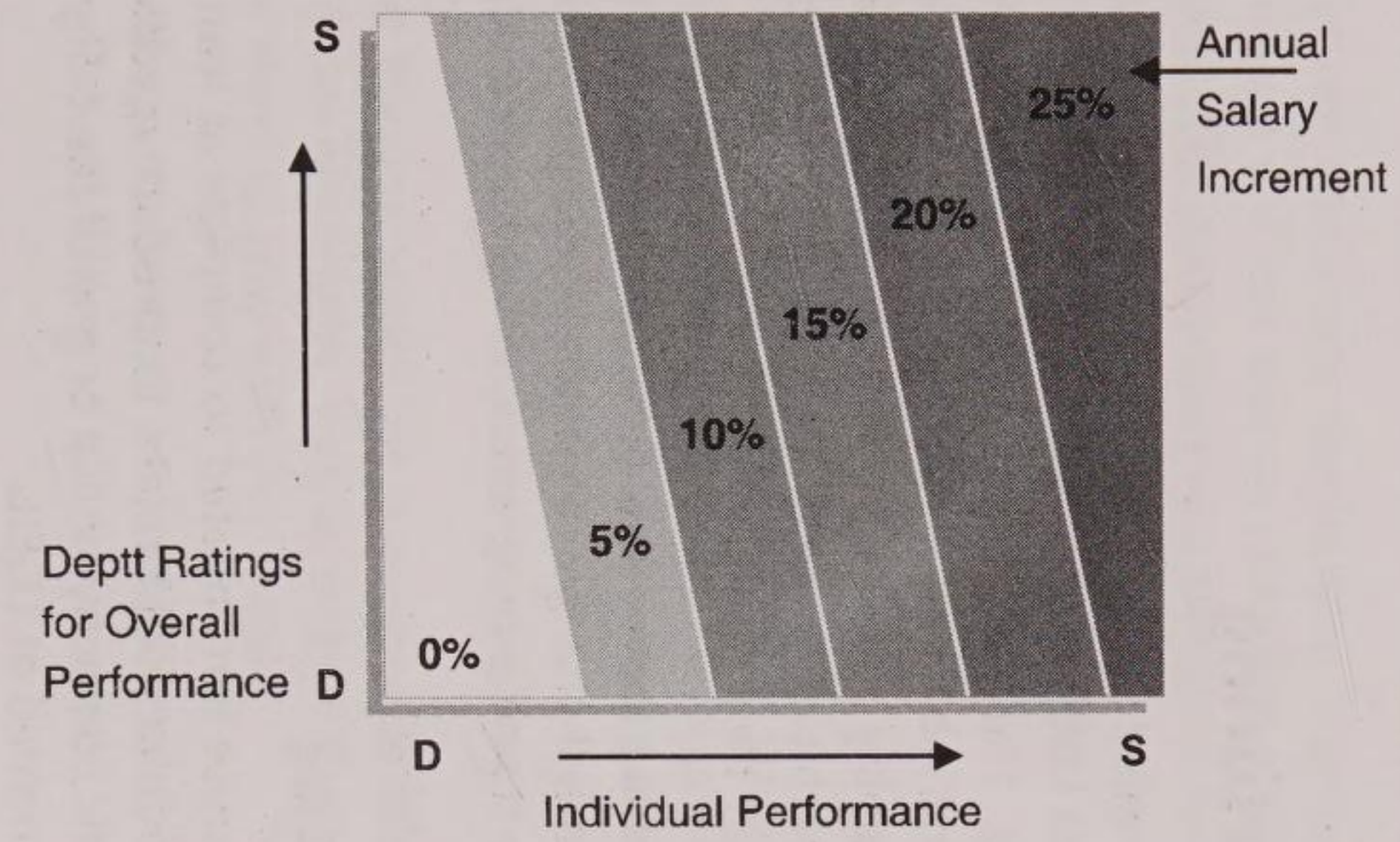
That in itself would not have been so bad, except that this compensation structure did not generate enough challenges to keep our staff's motivation levels high for any sustained period of time. This was an odd factor considering that we were demanding a phenomenal growth rate of over 30 per cent year after year. At the first available opportunity, I took up the issue with K. R. Kim and he agreed to a complete overhaul of the existing plan.

Today, our salary structure is intricately linked to both fixed and variable components. The variables come in the form of bonuses distributed at intervals of two to three months depending on the company's, the department's and the individual's performance. For top performers, this can often add up to 50–60 per cent of his/her take home salary. The plan is explained in Annexure 7.6

Annexure 7.6

Evaluation & Compensation

Strictly differentiate between the Best & Worst



Based on Deptt. Target Achievement of KPI

Based on indiv. Target Achievement of KPI

Half yearly Performance Bonus

Bonus	Employees	
800%	: 5%	Top Performers
700%	: 15%	
600%	: 15%	
500%	: 20%	Mediocre Performers
400%	: 20%	
300%	: 15%	Poor Performers
200%	: 15%	
0%	: 5%	

Individual Recognition through Opportunity

Although employees at LGEIL perform within teams, individual recognition is very important within that culture. Due to an overriding atmosphere of equity, such recognition ironically, does not spur jealousy or rivalry rather, it breeds mutual respect. The chosen form of recognition is opportunity. Individual who perform well are given better and more meaningful work to do.

Keeping Tabs

Our appraisal system for talent management is quite transparent and objective. To further reduce the element of subjectivity in the system that we practice, we allow the appraisee to give his consent to the rating in writing, before it finally gets submitted to the HR. In case, he does not agree with the rating assigned to him, a meeting is arranged between him and the reviewer, co-ordinated by an HR person to discuss the area of confusion. To my knowledge, this is a unique feature in transparency practiced only at LGEIL.

Talent Nurturing

Training to my mind is the fulcrum of growth at an organisation that is scaling up fast. At LGEIL, we cover the entire gamut of knowledge, skill and attitude training. The best training however comes from empowerment, accountability and job rotation, all of which we practice in varying measures at LGEIL. Skill training is the earlier to impact; next comes conceptual training and at the top of this pyramid of learning, which is also the most difficult to impact is mindset training.

To our mind, vague theoretical constructs are not as effective in bringing about stable mindset changes, as much as the use of physical exercises and games. The two training programs that we cover in this genre are:

1. MI & 5S training
2. LG-way training

Every employee is mandated to complete at least two e-modules in a month. The modules could relate to product specifications, a functional domain, a specific company policy or any of the 6 Sigma programmes that we have implemented at LGEIL.

Great Savings

Online training is cost-effective, flexible in terms of timing and does not interfere with branch functioning. The company is hoping to save about US$ 175,000 in the first year alone from online training.

(LG planning e-training for staff, vendors, The Times of India, February 10, 2001)

Over 95 per cent of our employees follow this schedule. At the end of each training module is a Q & A section. Every negative reply automatically generates the correct answer. A mistake made twice, generates a sheet, which has the correct answer underlined for reiteration.

Once a quarter, all work at LGEIL comes to an absolute standstill. That's the day when everybody is in the classroom taking a Global Test that is administered in all parts of the globe, wherever LG has operations. Everybody from the top to the bottom of the pyramid appears in this test and those who score the highest walk away with attractive prizes. On an average, each LGEIL employee undergoes ten days of training cycle every year.

At this point, let me make one confession: Despite its advanced technological features, we did not end up spending a king's ransom on our e-learning modules. The curriculum was designed in-house and our full spend on it was US$ 1,000 K. Our own team of system engineers and instructional designers sat and designed it for us.

Mind-Body Connect

After being in this business for over 25 years, I have come to realise that most training programmes only address the right hemisphere of our brain. To simultaneously attack the left; the one that governs our emotions and intuitiveness, we have to prod it physically, which is why we have brought in the concept of physical training for all our employees.

We call it mindset training, which we outsource to professionals who do interesting stuff for our employees, such as engage them in fire walking routines or encourage them to play with live snakes!

We follow something called Mind Innovation and 5S training, which is proven to have dramatically changed fixed mindsets.

MI & 5S Training

The spirit of innovation at LGEIL is captured in the phrase, "We are the Champions." To harness the power of affirmation and get the principles of neuro-linguistic programming to work for us, we hold a "slogan shouting" contest that propels us into action and instils the spirit of champions in our employees. We also send them on training abroad. Between 1997 and 2001, hundreds of our workers (blue and white collar) have been sent to Korea for innovation training.

The Training As It Unfolds

On a patch of grass on the outskirts of Delhi, 15 young Indian men and women are clapping their hands and punching the air. Sweat is dripping from their faces in the morning sun. "No.1 forever," they shout in unison. "We are the champions."

How South Korea Conquered India, Fortune, April 19, 2004

Learning the LGE Way

LGE way is a vision to emerge among the top three companies in the world by the year 2010. LGE way is enshrined in the GCGP (Great Company Great People) motto, which implies that Great Companies have their basis in great people and vice versa.

Great Companies give excellent performance consistently through change and innovation. They are able to do this by meeting stretch goals through a strong, winning streak.

LGE way is based on the recognition that 'no one can remain number one forever.' GCGP (Great Company Great People) *mantra* rests on three major parameters: Management, People and Culture. These are explained below:

Leaders Are Made; Not Born

Leaders in my opinion are not born; they are made. They don't teach; they touch and transform. They don't instruct; they inspire. Above all, they don't plot the way forward for their followers; they help them discover within themselves the strength to find the path to the stars.

The difference between a leader and a manager in my opinion lies in the scale with which they set out to accomplish these goals. There are several managers among us; but very few can rise to the level of a leader.

Leadership traits can best be understood in context to the Locus of Control (LoC) theory. LoC was a concept developed by Julian Rotter, who maintained that people tended to attribute their success or failure either to external or internal events. Persons with an internal LoC tend to see themselves as fully responsible for the outcomes of their actions. Rather than believing in fate or destiny, they believe they can control or change their fate through will power.

On the other hand, people with an external LoC, have this habit of attributing their success or failure to external environmental causes or situational factors. These people are more likely to believe in luck or chance factors and shy away from making any worthwhile effort to alter their unpleasant state. They take on the "victim" rather than the "hero" role in their lives. In contrast, people with an internal LoC are a different kettle of fish altogether.

One born-winner with an internal LoC that I can readily think of is Kenny Yap, popularly known as "Kenny the Fish," the Executive Chairman and Managing Director of Qian Hu Corporation Ltd., which is the only integrated ornamental fish service provider listed on the main board of the Singapore Exchange.

Under Yap's able leadership, Qian Hu transformed traditional breeding, farming and export of ornamental fish into a technology-driven, knowledge-based industry. It's an inspiring story of a boy who converted his fascination for fish into a life-long passion, driving home the message that there is hope even for the smallest fish in the largest pond.

Grooming Leaders of Tomorrow

We have a rigorous succession planning process, implemented through job rotation and a series of Succession Review Meetings. Sometime ago, we crossed a milestone when we installed a customised version of the 360 degree appraisal process at LGEIL. On a five-point scale, the average employee rating has improved from 2.31 to 4 in less than two years, while for our non- manufacturing division; the growth is from 3.66 to 4.24.

Those who get rated less than 3.75 are assigned a Mentor, who keeps a monthly tab on their activities and signs of improvement. Their cases are finally reviewed at the Leadership Counselling meeting, held at the month end. This is explained in Annexure 7.7 and 7.8. Meanwhile, succession planning for future leadership positions is explained in Annexure 7.9.

Annexure 7.7

Leadership Development

Counseling session with Team leaders Second step to 360 Degree appraisal

Step 1 Identification

- ❑ **Leaders Score < 3.75 / Worst 10**
- ❑ FIRO B Administered on individuals

Step 2 Counseling

- ❑ Focus on **Behavioral & Functional parameters**

Step 3 Action Plan

- ❑ Plan is shared with counselors
- ❑ Each Leader **prepares self development plan**
- ❑ Self development plan is monitored

Step 4 Monitoring

- ❑ **Monthly Counseling session**
- ❑ **Counselor Monitor**

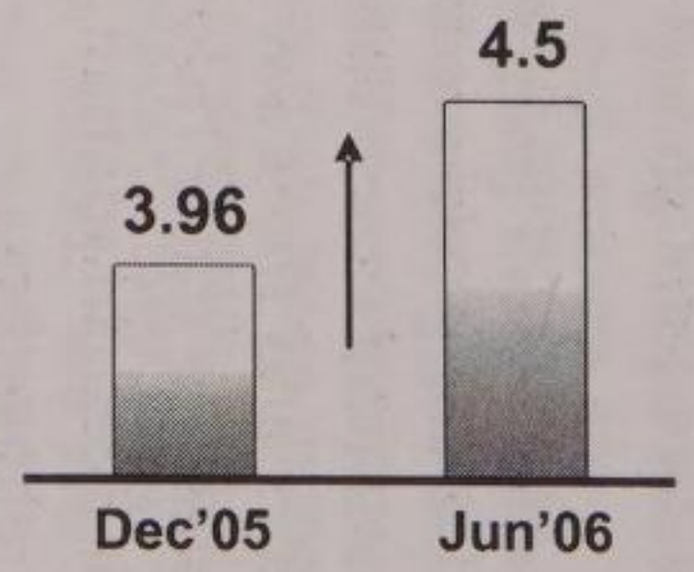
Step 5 Review

- ❑ Monthly **Leadership** Counseling meeting headed by Director HR. Members are all the counselors which are GMs & above. In this meeting the counseling and progress of each person under scanner is reviewed and discussed how to further work on them.

Statistics for Counseling

- ❑ **Manufacturing – 10**
- ❑ **Non-Mfg – 13**
- ❑ **Non-Mfg – 13**

Overall Satisfaction (Bi-Annual)



Annexure 7.8

360 Degree Appraisal

360 Degree appraisal is done to challenge the Team Leaders performance

INITIALISE

STEP 1

- Feedback for each Leader
- Feedback from 30% Subordinates
- Rated on Behv & Fun Parameters
- Frequency – Every Quarter

FEEDBACK SHARING

STEP 2

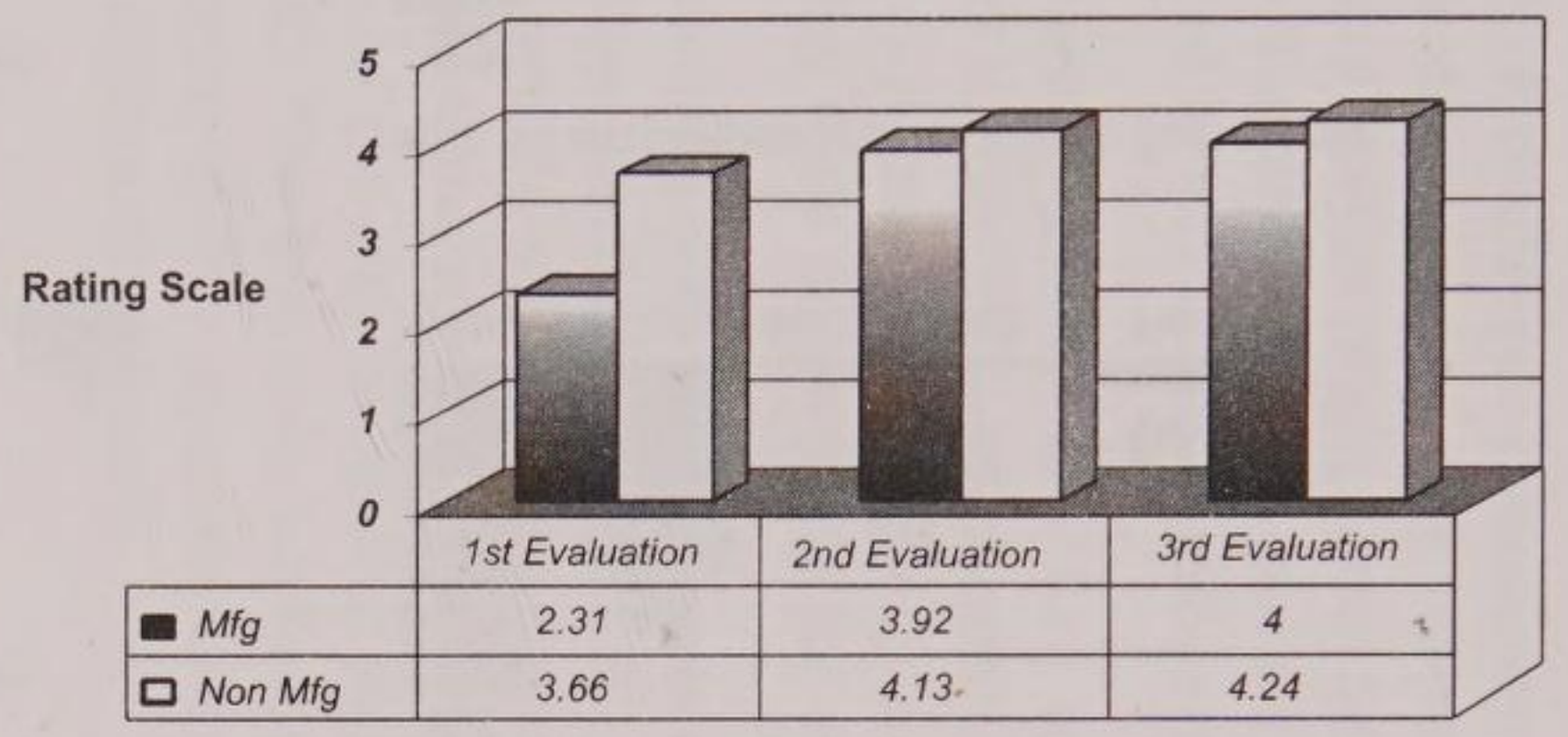
- Sharing feedback after evaluation
- Check TL/HOD with rating <3.75 on 5 Point scale
- Present Action Plan to Top Mgmt

ACTION PLAN

STEP 3

- Counseling by GM & Above
- Dinner with DMD

Average Rating Improvement Trend (2005-06)



Improvement Trend in Mfg. Division from 2.31 to 4 by 3rd Evaluation

Imp. Trend in Non Mfg. Division from 3.66 to 4.24 by 3rd Eval

Total TeamHeads/Deptt Heads evaluation	- 94
Total Branch Managers evaluation	- 46
Total Regional Managers evaluation	- 9
Foreign Service Employees	- 12

Annexure 7.9

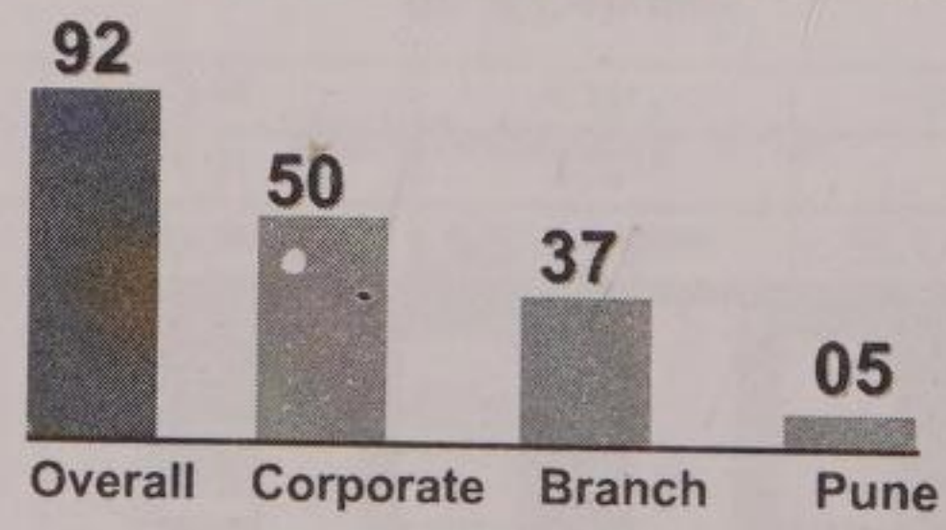
Succession Planning

Succession Planning Building second line Managers for crucial positions

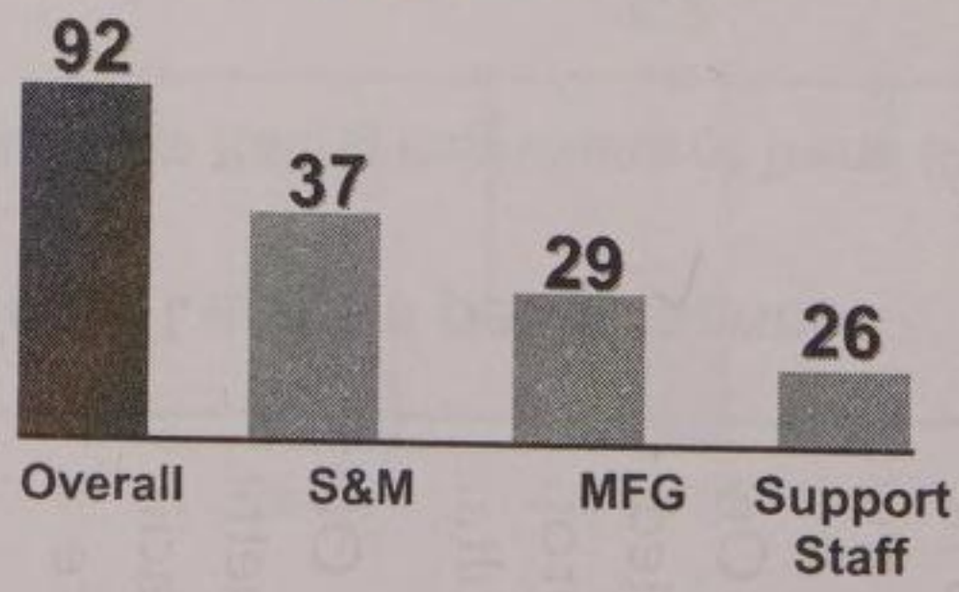
High Performers earmarked for Crucial Leadership Positions by the Management

Process	Detail Activity
Screening	❑ Identify Position & Shortlist High Performers ❑ Identification by Committee based on Performers and Potential.
Initial Selection	❑ Successors Rated on Behavioral & Functional Parameters
Training	❑ Training and development Plan Prepared for each individual ❑ On the Job training & Job rotation is planned
Monitoring	❑ Committee members to monitor progress on monthly basis
Review	❑ Monthly Review with Dir HR & Mfg

Number of Successors identified



No of successors in each function



High on Emotional Quotient

One of the most difficult challenges, I encountered during my ten-year stint at LGEIL was the problem of building ownership for a company that everybody knew was of Korean origin. Much later, I realised that ownership does not come from the place of origin but from the degree of autonomy and trust that is vested in individual employees.

One of the boldest steps that K R Kim took in this regard was the limited role assigned to the FSEs. In contrast, the local managers were appropriated financial leeway and decision-making support, while simultaneously holding them accountable for all their decision outcomes.

Other ways of bonding with the employees were less formal. We have something called a Pizza Meeting with the CEO, which is a powerful means of facilitating top to bottom and bottom-up communication, which is held twice a week. Many off-the-agenda issues crop up at these ice-breaking gatherings, signalling to the employees that they can be absolutely honest and direct with the MD. This is an open house forum, wherein any employee can raise any issue, complaint or proposal with the CEO and expect to be heard and the issue addressed promptly.

Melt Ins

Melt-ins, as the name suggests are no-holds barred meetings to which everybody in the department is invited. It's usually conducted on a very intimate note, followed by dinner and dance for the employees' families. How important these 'Melt-ins' have become at LGEIL can be gauged from the fact that in 2006:

No.of Melt-ins held	75
Issues raised	215
Issues resolved	200

Identifying and Rewarding Talent

In 1998-99, we wanted not only to retain our star performers, we also wanted to turn them into role models for others, so we made our R&R system comprehensive and strong, including in its ambit the broadest spectrum of people working at LGEIL. In fact, we try to find innovative

ways of rewarding our employees. People often ask me whether the law of Diminishing Returns can come into play when you have so many categories of awards, but my own belief in this matter is that when the parameters for giving an award are objective and quantifiable, there is no danger in excess rewards.

On the 1st working day of every month, we distribute over 250 – 300 rewards and citations among our star performers, a ceremony that concludes with a message from the CEO. Like all LGEIL meetings this one too is extremely short, sweet and crisp (winding up in less than 15 minutes, max.)

Some of the main categories of rewards that we have established at LGEIL include:

1. LG Champion
2. Best Line worker
3. Best Energy Conservation Line
4. Best Employee of the month

In addition, our CEO directly rewards the sales branches on such quantifiable parameters as performance at half-month closing, performance at monthly closing, sale of higher value products, usage of schedule without budget, to name just a few.

Some of the other miscellaneous reward categories are...

1. Digital Bonus to excellent performers
2. Holiday trips abroad to employees and their family.

Empowerment at the Grassroots

I am also a firm believer in field management. Reports submitted by LG managers are what I refer to as taped recordings of what happened from someone else's perspective. Being actively involved in the field allows me to witness the action live and make a decision right there, on the spot.

(Newsmaker: Moving Mountains at LG, CNET News.com, December 9, 2004)

Branch Ownership

As we grew from an 18-branch juggernaut to a 40-branch monolith, problems of mis-fired communications began to escalate between employees drawn from myriad cultures, regionscape, languages and religions. There were issues relating to personal life or work. Integrating all the branch employees into the mainstream was thus a major challenge. To address this issue, we launched the concepts of e-Pizza and Branch Ownership.

Under the Branch Ownership initiative, once in a month, our HR Personnel call up every branch employee to inquire if there were any pending, unaddressed issues needing the corporate office's help or intervention with any kind of problem. This is a proactive stance aimed at breaking all hierarchy. A total review is done by the Director (HR) every month.

Fact is that we hold hands only when it's utterly necessary. Otherwise, as a thumb rule, we leave our employees to their own devises and operate as independent business units.

e-Pizza

These are different from the Pizza Meeting with the MD described earlier. These meetings are generally called to resolve stand-offs between dealers and branch executives, who are mainly new joinees. Under this initiative, an executive offers to speak directly to a dealer and the new entrant (in consultation with the Branch Manager of the province). These issues generally relate to customer satisfaction. They are put to the senior management; and finally shared with the MD at the Corporate Managers' meeting. The endeavour is to resolve the issue in the shortest possible timeframe.

In our experience, troubleshooting has been made easier with the introduction of this slice from Italy, as gradually we have been able to impress upon our executives that dealers, and through them, the customers must be allowed the last word.

Oriental Logic

Kim's given name, Ssang Su, translates literally as "doubly outstanding." And that's what this tough Korean boss expects all his lieutenants to be. He has ordered each of LG's three divisions — mobile phones, digital displays, and appliances — to improve productivity by 30%. And each unit is required to draw up both annual and three-year battle plans for attacking the world of digital electronics. To drive home the message, a year ago he summoned LG's top managers from around the world—256 in all —to a golf and tennis resort near the central Korean city of Jaechon for a two-day "bonding workshop." There, they all raised their right hands and pledged dedication to the cause of making LG a global brand. Then the execs gulped down shots of soju, the potent Korean spirit, and shouted "Global Top Three" in unison. The next day the entire contingent set off to climb the 1,016-meter Mt.Gumsu.

(On S.S Kim, Vice Chairman and CEO, LG Electronics Korea's LG, Business Week Online, January, 24, 2005)

A Family of Happy Workers

Long before 'fun at workplace' because the catchphrase of all BPOs in India, philosopher Dogen Roshi gave his million-dollar dictum: "Don't work towards freedom. Let the work itself be freedom."

The Meaning of Work

Flip open a dictionary and you'd be surprised to discover that there are over 40 different meanings of the word "work", ranging from "sustained physical or mental effort to achieve a result" to definitions as contrived and worthless as "to excite, provoke" and "to move slowly in relation to another part" to "exertion or effort directed to produce or accomplish something." But, work to me means any activity that you derive maximum satisfaction from.

For as long as I have been associated with LGEIL, I have made this as my guiding principle in life. I firmly believe that work cannot be productive unless it's pleasurable. Based on this concept we have devised something called *Joyful Working 5 (JW5)*.

JW5 is based on five elements: Stress, Communication, Leadership, Target-setting and Working Hours. Our JW5 campaign attacks all these issues separately, minutely and strategically.

After strict screening for good performers, who had served a minimum two years with LGEIL, we hand-picked 43 "Change Agents" and 37 Change Managers among our ranks whose job is specifically to make working for LGEIL a truly satisfying and rewarding experience for our internal customers. Launched recently in Jan 2006, some of the activities that we cover under this programme are listed in Annexure 7.10, along with a sample KDI of the Change Agent.

The second phase of this programme, which rolled out in July 2006 is known as 'Care for Customer' campaign. The CFC concept is explained in Annexure 7.11; while a sample KDI of a Change Agent appointed for Phase II of the programme is revealed in Annexure 7.12. Please note that the best Change Agents are awarded with 50 per cent bonus at every half year interval.

Meanwhile, for our blue collared employees, we have launched a more emotionally charged programme, which covers:

Sample Phase 1 KDI Review

Team Name _____ **Team Name** _____ **CM Name** _____

Main Index	Activities	Freq.		Apr'06	May'06	Resp
Team work	1 Team Activity	Monthly	Plan	Pizza Lunch with HOD - 15th	5s campaign with Team Leaders - 19th	CA
			Result	Done	Done	
	Tea meeting	Monthly	Plan	4th Saturday	16h May.	Puneet Gupta
			Result	Done	Done	
	Lunch Meeting	Monthly	Plan	11th Apr.	11th May.	Chandershkarn
			Result	Done	Done	
	Team get-togethers	Qtr	Plan		Team Dinner 19th Apr' 06	Ajai Singh
			Result	Done		
	Morning Meeting	Daily Track	Plan	9:00 AM to 9:15 AM	9:00 AM to 9:15 AM	CA
			Result	OK	OK	
	CA Meeting	Monthly	Plan	1st Monday	1st Monday	CA
			Result	Done	Done	

Contd...

Cont'd... **(Annexure 7.10)**

Work and Life Balance	1 Team Activity	Monthly	Plan	Knowledge sharing - 22nd (Mr. Sanjay Jain)	Table Tennis Match	Rajeev Arora
			Result	OK	OK	
	My Day	Qtr	Plan	Implementation based upon personal willingness - Annerversary,Birthdays etc.		CA
			Result	MY Day taken (1)	MY Day taken by (2)	
	Minimising late sitting	Daily Track	Plan	Only 3 days - late sitting (Person wise)	Only 3 days - late sitting (Person wise)	CA
			Result	Regular Monitoring	Regular Monitoring	
Creative workplace	50%Team activity (Mountain Climbing, Trekking,Rafting) Participation	Qtr	Plan	Nominations to be sent in		Jijeesh
			Result	Visit Ranikhet & Nanital	PC Team Visit Ranikhet	
	Informal Clubs Participation Chart		Plan	Discuss with team and ensure that each member should participate in any of the club or Yoga activity or Guitar playing/cricket/chess or other sport		Jijeesh
			Result	Regular followup		
	Personalise work area	Regular	Plan	Award / Achievement / family picture / quotation etc		CA
			Result	OK	OK	
	Happy Event Board	Regular	Plan	Regular Monitoring	Regular Monitoring	CA
			Result	Regular Review by TL & HOD	Regular Review by TL & HOD	

Annexure 7.11

Care for Customer Campaign

Definition : CFC Campaign is building customer oriented mind and adapt to a new work style that is customer centered management .

Scope : Teams/ Dept within Organization

Objective :
- Satisfied Customer Increase Work Efficiency
- Providing Valuable Service to the Customer

Main Activities	KDI * Activity	Impact
Meet Customer Frequently	☐ Inter-Depth Lunch ☐ Communication	☐ Better Relationship with Customer Dept ☐ Better Team Management
Customer Oriented Working Style	☐ We not I ☐ Trust and Transparency	☐ Increased Belief in Customer ☐ Minimized work processes
Customer Feedback	☐ Reduce Response Time	☐ Job Clarity
Knowledge sharing Seion	☐ Better understanding of Customer's issues/practices	☐ Reduced Non-Value Activities

Main Index	Activities	Activities	Example		Month	
					Aug	Sep
Fun To work (Team Building)	Team Activity	Monthly	CA Team Building	Plan	12th : Famous People	9th : Famous People
				Result	30th : Outdoor Game played	23rd : Indoor Game played
	Late Sitting Monitoring	Daily	Prepare status after 18:15hr & 20:15hr	Plan	Follow & Track	Follow & Track
				Result	As per schedule	As per schedule
	Tea meeting	Fortnightly	Informal gathering	Plan	19th	16th
				Result	10th : Done	16th : Done
	Dept get-together	Qtr	One get-together	Plan	5th Aug	
				Result	16th Sep : Movie with Family	
	My Day	Qtr	Once in a Qtr Emp Leaves at 1:30	Plan	Plan made as per Personal Willingness	
				Result	As per List	As per List
	Happy Event Board	Fortnightly	Updated Fortnightly	Plan	Biweekly Mon	Biweekly Mon
				Result	As per scheduled	As per scheduled
Customer Relationship Quality	Inter Dept Team Lunch	Monthly	Team Lunch with Customer	Plan	QA PC	Esource PC
				Result	18th : Done	27th : Done
	Trust and Transperency	Monthly	Team Vs Customer	Plan	21st	18th
				Result	29th : Done	27th: Done
	We not I	Monthly	Help to Customer to achieve tgts	Plan	9th : Spec reqmt to Esource	4th : Pdt Roadmap
				Result	Not done	18th: Done
	Communication	Monthly	Knowledge Sharing	Plan	7th : SMPS Rail Technology	Technology Trend
				Result	30th : Done on vPro	27th: Windows Starter Edn.
	Reduce Response Time	Monthly	Survey with Cust Dept and improvement	Plan	Survey	Survey
				Result	Refer attachment	Refer attachment

Family Ambassador Programme

Under this initiative, all blue-collared employees are visited by an HR executive. The Family Ambassador's visit is scheduled once every six months. The objective of this interaction is two-fold: the family gets to know the organisation better and the organisation also gets an opportunity to resolve any issues (personal or professional) that are within its powers to resolve, for a deserving worker. This is explained in Annexure 7.13

Family Factory Visit

This is when LGEIL plays gracious host to the families of all employees. They are invited to come and visit the factory premises at Greater NOIDA. There is a lot of bonhomie as the visit concludes with dinner and dance.

Help Desk

To troubleshoot all problems related to work or home for the blue collared workers within a 24-hour timeframe. If it doesn't get resolved within that timeframe, the matter gets reported straight to the Director (HR).

Food For Thought

Stress is an ignorant state. It believes that everything is an emergency.

~Natalie Goldberg, Wild Mind

Guardianship

Under this concept, the HR executive visits each worker on the line, i.e. when he's at his particular work station. The objective is again to build rapport, troubleshoot or render any kind of help that the worker may be in the need of. (*Refer to Annexure 7.14*)

Employee Welfare - Our Core Value

Benefits that are shared with all our employees, irrespective of rank or status are subsidised meals, pick and drop facility, the services of a doctor round-the-clock, besides a fully-equipped Gymnasium, which is frequented by over 400 employees every day. (*Please refer to Annexure 7.15).*

Annexure 7.13

Family Ambassador Program

"Family Ambassador Program helps creating better trust with employees"

Purpose

- ❑ To Build **Strong emotional bonding** with employee
- ❑ Builds **Openness and trust** Between Mgmt and workers

Concept

- ❑ Better understanding of Employee and his family member's issues
- ❑ Better emotional involvement of family members with the Company.
- ❑ Smaller **issues are resolved faster** before they become big

Process

- ❑ **Bi –Annual Employee Allocated** to HR Ambassador
- ❑ Visit to **5 Employees' houses/ Month** is compulsory
- ❑ **Meets employee family** and **Offers Gift** worth Rs. 350 each
- ❑ HR Coordinator maps the level of involvement of the employee with Company Goals and any issues which needs to be addressed.
- ❑ Director (HR) reviews monthly basis Family Ambassador by name of employee – give the details of issues discussed, problems faced by the family.
- ❑ The family ambassador tries to help solving the issues.

Annexure 7.14

Line Guardianship

Guardianship Program is a medium for prompt response of queries by workmen

Purpose

- To Build **Rapport with workers**
- This Activity will also help creating trust for better understanding with the employees

Concept

- This Program is basically targeted for workers
- **HR coordinators visit each shop floor employee** twice / Month (60-70 worker) & map the top of the mind issues faced by the employees.

Result

- **Seek Employee concern** faster
- Develops **Emotional Involvement**
- Improves **employee and employer relationship**
- **Winning Confidence** of employees
- Keeps the management updated of employee concerns
- Grievance handling

How it Works?

HR Executives owns 1 Line each

↓

Talk one to one with each worker

↓

Helping Employee with onsite offsite problem

↓

Resolve Query Problem at the earliest

↓

Present the issues to Director HR

↓

Feedback to worker

Annexure 7.15

Employee Welfare

Lunch & Dinner Arrangement of 1500 Employees
Free Multi Cuisine – Three Menus being served (Special, Low calorie & Normal)

CANTEEN

- ✓ Other Facilities:
- ✓ Morning breakfast & Evening Snacks
- ✓ Morning & Evening Tea with Biscuit on Shop Floor
- ✓ Tea for Night Shift employees on Shop Floor
- ✓ Evening Fruit for Shop Floor as well as Staff Employees.
- ✓ 24 hours Pantry Service

TRANSPORT

Free Transport facility for all employees
32 Routine Buses
18 Shift Vehicles
17 Nodal Buses
Taxis available after 9.00 pm
Facilities available in Bus:

- ✓ Newspaper and Magazine
- ✓ Drinking Water and First Aid Box
- ✓ Quiz is conducted in each bus and prizes given then and there toKill the fatigue of employees while traveling by bus.

CONCIERGE SERVICE

- ✓ Concierge Service –We also provide concierge services which can book Cinema tickets for employees and their family.
- ✓ Get problem sorted out in their houses regarding Electricity & Telephone bill payment etc.

What causes stress?

Ailments and symptoms	Leading Sources of Stress
59 per cent report feeling nervous or sad	59 percent say money
51 per cent report symptoms of fatigue	59 percent say work
56 per cent report inability to sleep or sleeping too much	53 per cent say health problems affecting parents or other family members
55 per cent report lack of interest, motivation or energy	50 per cent say health concerns
46 per cent report headaches	50 per cent say nightly news or state of the world today
26 per cent report tightness in chest	48 per cent say health of immediate family (spouse, partner or children)
23 per cent report change in sex drive	41 per cent say children

Source: - ***American Psychological Association (APA), Washington DC***

In an interview to the *Hindustan Times*, I was once asked: How do I beat stress? My reply was, "Reading history books, biographies, autobiographies and spiritual books; meditating every morning for at least an hour, followed by a brisk walking routine, or just switching off."

I know that all of these and more my colleagues at LGEIL practice to keep stress at bay.

Future Challenges

So far, so good. Our HR practices are delivering but the times are changing. The competition is becoming tougher and things will have to be re-assessed and reviewed from a 360 degree, global perspective.

LGEIL's future plans are to focus on exports. A Critical Success Factor (CSF) in this area is quality, as India-manufactured products although are coming of age, we have a long way to go in this direction.

The Road Ahead

India has a key role to play in LG's research and development plans, with 5 per cent of total investments being currently earmarked for R&D. not only this, India is poised to become the R&D hub for LG's operations worldwide. china and India are two major markets, with China being larger by sheer volume. However, India scores over China due to better skilled manpower.

Consequently, centuries-old perceptions may take a while to change. This will be a key challenge. However, a bigger challenge would be to change the mindsets of our employees. The replaced mindsets must reflect quality-adherence and an attitude that shuns mediocrity or shortcuts. We have to learn to realise higher levels of profitability and customer satisfaction in steadily shortening timeframes each year.

Once this mindset is created in all employees viz. the global mindset, nothing can stand in the way of LGEIL's progress and our products will begin to match the best of products manufactured in any part of the globe. Eventually, this attempt will change global mindset not just against products produced by LGEIL but also those produced in India in general. The 'Made in India' stamp will truly come into its own then.

Another challenge which has to be faced relates to transactional quality. Transaction improves through employees-customer interface. This calls for working in and around systems, lessening turn-around times and developing prompt decision-making capabilities and learning to execute them without any loss of time. This transaction quality has to improve on all fronts.

LGEIL today has brand ambassadors in every nook and strata of the Indian society. Yet we have to think and devise newer ways of engaging them creating more equity for each of these brand ambassadors, i.e. for both our internal and external customers.

One sure way of accomplishing this as mentioned above is through ushering in a quality revolution. Quality mindsets will change attitudes and thinking process and ultimately lead to higher customer satisfaction, innovation and excellence.

All this may sound very utopian and unattainable at the moment, but at LGEIL, we have experienced and seen all this and more happen.

In future, we just need to tighten our belts further, hitch our wagon to the stars and strive for the moon!

It will be delivered.

LG
Life's Good

8

A New Beginning

SYNOPSIS

- ***The world is not static, things are changing beyond recognition, at a rapid pace. In such a scenario, it would be wise for LGEIL to not to rest on it's laurels and continue the quest for steady improvements to attain even higher standards of excellence. It is time to make fresh beginnings...concludes the author.***

8. A New Beginning

Stories, I feel, are nothing but crystallised memories—of happy and sad events that we experience in our lives.

What makes good stories however are not stand-alone events of dramatic proportions or powerful impact (Although they make excellent fodder for TV journalists' *Breaking News* section), but ordinary tales of ordinary people who make extraordinary efforts to emerge victorious and in doing so, are able to change not just the course of their own lives, but also of a few thousand others around them, whose lives happen to touch theirs.

One such story is of LGEIL. I am able to tell this story because I have been a witness to all that happened in LGEIL over the past ten years. I have been part of the core team that came, saw and conquered India through nothing more than their undying passion and commitment to excel in their chosen field.

I recall a line from a *Fortune* article (*How South Korea Conquered India, April 19, 2004)* that said that LGEIL's unprecedented march in India is not so much a story of culture change, superior product line-up or smart marketing (which of course have contributed immensely to our success) but of the innovative ways in which LGEIL changed the way business in white and brown goods was conducted in India prior to the advent of LGEIL's entry into India.

In a little less than ten years, LGEIL products have managed to conquer the hearts, minds and imagination of thousands of ordinary housewives and children through whom, we are happy to acknowledge, we are able to reach millions of households in India.

My story is also of breaking paradigms; changing mindsets; challenging conventional wisdom; re-inventing business; trying the new and tough ways

without the use of short-cuts and above all, the story of a passionate bunch of people who dreamt big and made it happen!

This story is also of a remarkable leader who despite being armed with profound knowledge of the way businesses were being conducted around the world, did not come to India with any preconceived notions or a limiting mindset. He believed in leading from the front, from the side and also by example.

K R Kim is of that rare stock of leaders who believe in creating more of their ilk simply by empowering, trusting, and holding their subordinates accountable for all their actions. He expected and accepted nothing but the best from his team and they delivered.

He is a master of change management, who himself must have changed countless times over these years and become a catalyst for other peoples' evolution into independent business heads.

He led with intense passion and drilled the same passion in his men. His conviction about what he had set out to achieve for LGEIL was total and unchallenged. He truly believed in constructive destruction and did it as many times as required. His leadership was marked by courage, a trusting nature and compassion for all LGEIL's stakeholders.

Meanwhile, this story is also of thousands of LGEIL employees who shared the corporate vision and executed it at the micro level. It's a story of LGEIL's transformation into a de-centralised company where decision-making came to be vested with the foot soldiers, who were left free to employ their wisdom, personal empowerment and discretion to decide the next course of action. We believe that democracy works at LGEIL because it has accountability in its backbone.

Finally, the LGEIL story demonstrates that human being can be the most superior asset and resource of a company that follows democratic traditions. It then becomes a fulcrum for the convergence of all cherished human faculties, viz. personal empowerment, freedom, the power to decide and deliver the undeliverable.

But the best part is the LGEIL story does not end. It is in fact just the beginning and the best is yet to come. There is no time as now to think, innovate and act proactively.

India is emerging as a global power. With the focus squarely on Asia-Pacific region, there is no doubt in anyone's mind that China and India are

going to emerge as the future economic powers. Already, a lot of Indian MNCs have embarked on their voyages to emerge as the future global conglomerates.

In the situation where Indian organisations have begun to run their companies the global way, the competition for the global players is getting tougher and complex, with the result that the managerial acumen is getting sharper and the instinct to survive and succeed against all odds is becoming firmer with each passing day.

In such a dynamic business scenario, newer rules and games are being written and re-written and proactive innovation and strong execution have become the cornerstone of all survival *mantras*. In times to come, it is going to be hugely difficult for corporations to remain at the top for any sustained period of time.

Corporations of future will thus have to face their biggest challenge, i.e. of managing two of their most engaging, essential entities—the employees and the customers.

In the ensuing hunt for talent, attracting and retaining the best of employee—who would ask for the moon and also deliver the moon—will be one of the biggest challenges that corporations of the future are going to face.

On the other end, customer would demand for the moon and expect to get it. Eventually, how corporations learn to balance these two entities is what will separate the boys from the men.

All this and more, will also call for a continuous and astute management of market shares with sustained levels of profitability. A lot of things which have worked in the past for start-ups or fast-growing companies like LGEIL are not going to be relevant or valid in the future.

The issues that they will now be grappling with will be more complex and multidimensional, requiring the thinking hat to be balanced just right and at a perfect angle in terms of realising all the short and long term objectives of the company. A battery of self-driven leaders with high "tolerance for ambiguities" will have to emerge from within and outside of LGEIL that can steer this ship forward on a yet unchartered course. And, this time, the dream will have to be taken forward at a much quicker speed.

The strategies, systems and practices which delivered stupendous results in the past, will possibly have to be jettisoned for something better in the

future. This implies that the LGEIL success story would also have to be scripted afresh, from the scratch.

As our vision "Leaping into the Future" says, since it is going to be difficult to remain No. # 1 forever, we will have to strive to evolve as No. # 1 every year.

The only common elements between this new success story and the LGEIL story that I have just recounted will be the presence of passion and excellence. Once those two elements are in place, we will undoubtedly emerge as the Winners again!

LG
Life's Good

Annexures

(Linked to Chapter 4)

Annexure 4.1

Landmark Distinctions

S. No.	Award	Organisation	Year
1	Most Admired Co. in India	A&M Magazine	1998
2	Most Admired MNC	A&M Magazine	1999
3	No. 1 Consumer Durable Co.	A&M Magazine	1999
4	Best Marketing Co.	A&M Magazine	1999
5	Most Ethical MNC	Business World	1999
6	Techies Award Best Flat Screen Monitor	Computer World	2000
7	3rd Largest Exporter	ESC2001	2001
8	Best Employer	Business Today/ Hewitt Assts	2001
9	Best Employer	Business Today/ Hewitt Assts	2002
10	Gold Rating for Environmental Performance	CII	2003
11	No. 1Awareness Award.	Business Today	2003
12	Super Achievers Award-Mr K.R.Kim	CETMA	2003
13	Green Tech. Gold Award	Green Tech Foundation	2003
14	Best Designer Award-Art Cool	Business World & NII	2003
15	Most Admired Prd- Microwave	EFY	2004
16	Award for IT Innovation	Business Today	2004
17	EFY's Electronics Organisation of the year Award for Best Product Category for Television Sets	Electronics for You	2005

Contd...

Cont'd... **(Annexure 4.1)**

Landmark Distinctions

S. No.	Award	Organisation	Year
18	Consumer Durable Retailer of the Year	ICICI Bank	2005
19	Excellence in Corporate leadership & Entrepreneurial Spirit to Mr. K.R. Kim	CNBC TV 18	2005
20	Most preferred Brand- CTV & WM	CNBC Consumer Vote Awards	2005
21	Maximum Imports & Third Highest Exports	CONCON	2005
22	EFY Reader's Choice Award For Microwaves	EFY	2005
23	Outstanding Contribution in the field of HR	CETMA	2005
24	Outstanding Contribution in the field of HR	MID DAY	2005
25	Best in Recruiting & Staffing	RASBIC	2006
26	Most Preferred Brand- CTV, WM,PC & AC	CNBC Awaaz Consumer Awards	2006
27	Ref and ACs	4Ps Power Brand Award	2006
28	4P Power brand	CNBC Consumer Vote Awards	2006
29	Most Trusted Brand-LCD/Plasma/AC/WM/Ref/PC	Reader's Digest	2006
30	Maximum Exports-Consumer Electronics	ESC	2006
31	Maximum Exports	CONCOR	2006
32	First Consumer Awards-CTV, Ref,WM,AC,MWO,PC	Times Group	2006

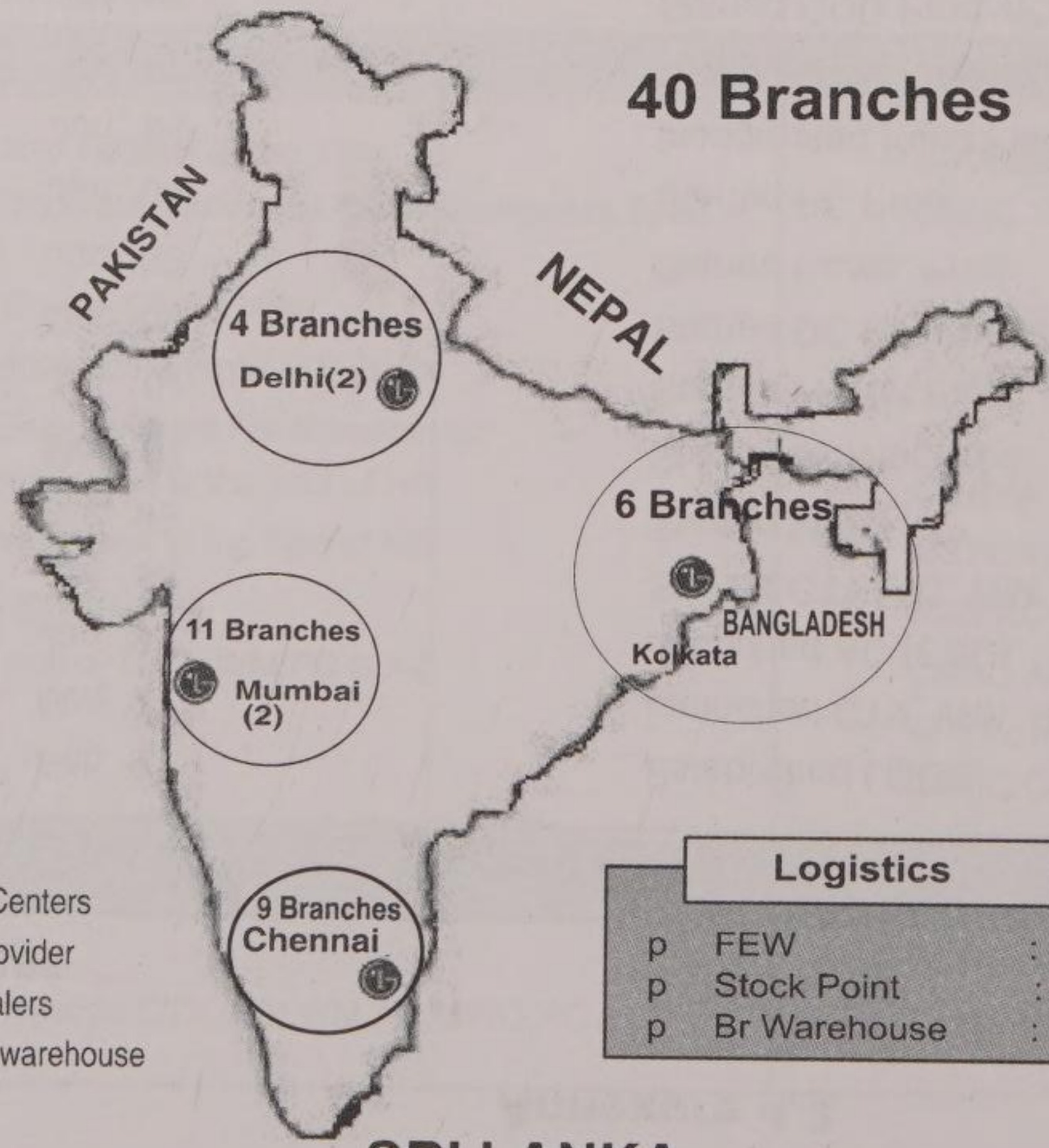
Annexure 4.2

Milestones

Some Milestones	
Feb '97	Established LGEIL
May '97	Launched CTV, WM, REF (CBU)
Jan '98	Launched AC (CBU)
Apr '98	Started CTV, AC, WM
Aug '99	Started MWO
May '01	Started Monitor Prod.
Jul '01	Started FF Ref Prod.
Dec '02	Started DC Ref Prod.
Jul '03	Started Comp. Prod.
Jan '04	Started PC Prod.
Jun '04	Inaugurated Pune Plant
Apr '05	Started GSM Prod. (P)
Apr '06	Started ODD Prod. (P)

Annexure 4.3

Sales Infrastructure



Sales Infrastructure

Co.s Reach

p	Branch Off	: 40
p	RAO	: 62
p	CAO	: 80

Sales Channel

p	Dealers	: 1000
p	Distributors	: 800
p	AWD	: 210
p	SSD	: 550
p	Shoppe/ Exc	: 120
p	IT	: 500
p	GSM	: 500

Logistics

p	FEW	: 1
p	Stock Point	: 46
p	Br Warehouse	: 18

SVC Channel

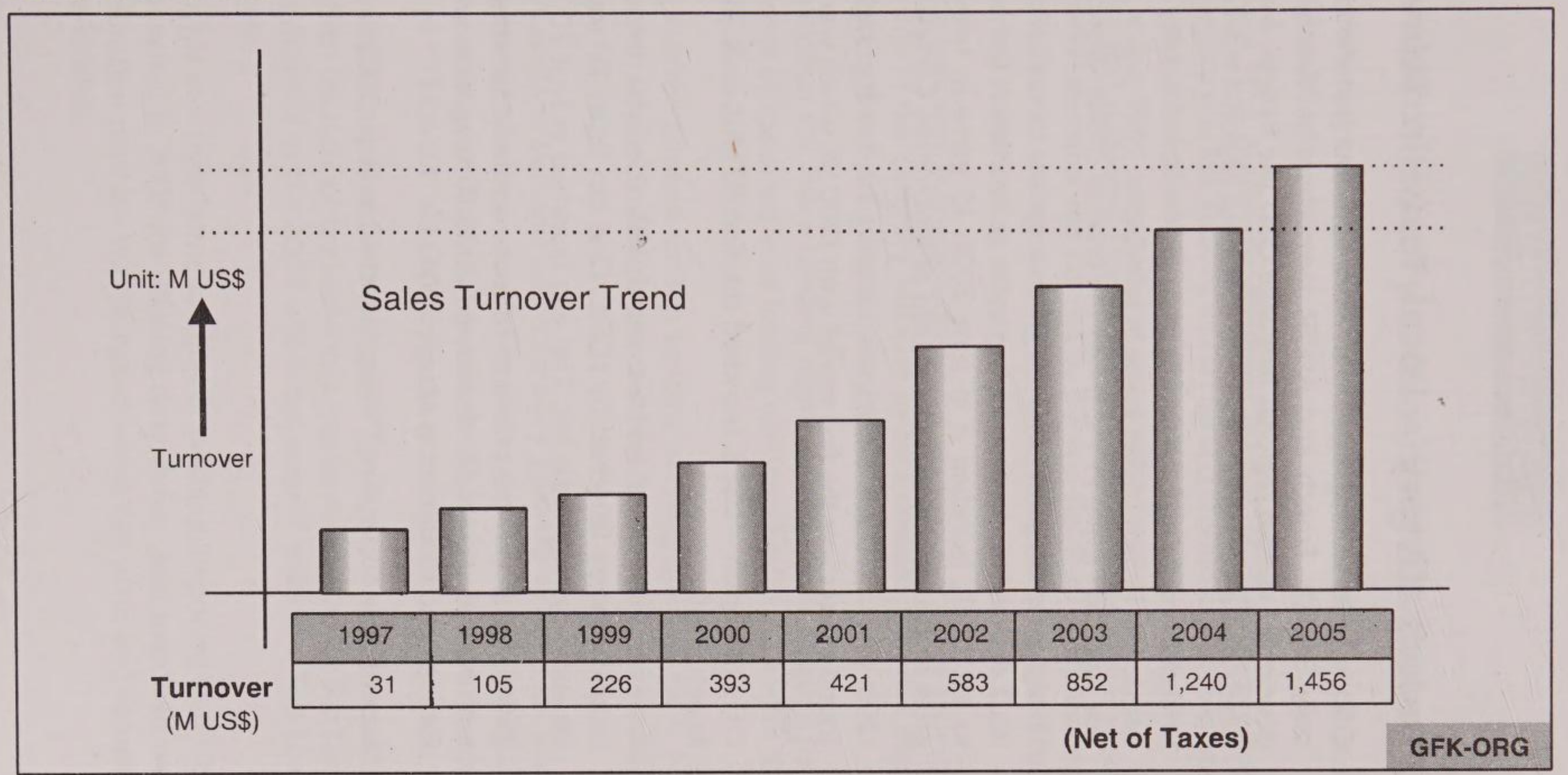
p	ASC	: 440
p	SSD	: 500
p	ASP	: 70

- ASC – Authorised Svc Centers
- ASP -- Authorized Svc Provider
- SSD – Sales and Svc Dealers
- FEW - Factory extended warehouse

GFK-ORG

Annexure 4.4

Turnover Trend



	1997	1998	1999	2000	2001	2002	2003	2004	2005
Turnover (M US$)	31	105	226	393	421	583	852	1,240	1,456

(Net of Taxes)

GFK-ORG

Annexure 4.5

Product History – Local Taste in Televisions

1. OSD in regional language in TV – 1997 product launched were having only English, French and Arabic languages. In March 1999 LGEIL developed various regional language OSD like Bangla, Marathi, Tamil which had a very good response in various regional market.

2. Cricket Game : Cricket was felt as a religion in India. May 1999, LGEIL decided to launch cricket game in televisions. 1999 was a great success due to cricket game in TV. It was the time of cricket World Cup also.

3. 15 high graphic games in TV : After a success of cricket game, LGEIL R&D decided to develop high graphic games which can be connected to TV. LGEIL launched it in June 2001. 15 game in television was a great success. LGEIL was recognized as Innovation Company.

4. 1200 W TV – LGEIL R&D took initiative to develop high sound TV. Sound-master was the first model with 1200 W, which was launched in Aug 2002.

5. DTH television – LGEIL launched the first DTH in-built TV in India in March 2005.

6. X-wave : X wave or wireless sound with selectable frequency was a unique concept launched by LGEIL. One can listen TV sound through his audio system, radio etc. This was launched in Sept 2005.

7. Ballad – This was the platform to make aesthetic benchmark in India with high sound. LGEIL developed 2000 W television with PU paint for high end customers in March 2004.

8. Super Slim – Super slim TV was launched in Sept. 2005.

Annexure 4.6

Product History – Washing Machine

1. Started Washing machine business in India by launching imported top loading washing machines in 1997.

2. India was Semi Automatic dominant market, so need for presence in this category was felt. Factory was set up and production for Two Models of 6 Kg Semi Automatic Washing Machine started in 1998.

3. For high end customer, Front Loading Washing Machine was required. The market demand was catered by IFB and Siemens. LGEIL also started importing front loading washing machine from Korea and launched in the market in 1999.

4. As India was semi automatic dominant market, so to have technology leadership in this category MICOM (Mini Computer) control machine was launched in 6.5 Kg capacity in 2000.

5. To strengthen the Front Loading segment, which was dictated by IFB, new range of imported front loading was launched in 2001 from 5.5 Kg capacity to 6.5 Kg capacity.

6. As the market demand for Top Loading washing machine grew, Home production of Top Loading started at Noida Line 2002 in the capacity 5.5 Kg to 6.5 Kg.

7. Semi Automatic demand was constantly growing so need for another tool felt and three new models was launched in 6 Kg capacity in 2003. Also, new range of imported front loading was launched in the brand name of "TROMM" which was great success world wide.

8. All available machines in the market can sense only Four traits. To strengthen the technology leadership –sensor technology in Top Loading was introduced in the 2004 which can sense 7 traits in a Top Loading Machine.

9. To provide complete home solution of Washing, Imported Dish Washer was launched in 2005 for washing dirty dishes. Also imported washer dryer function machine was launched which can wash and completely dry the clothes.

10. To have No. 1 position in washing machine and dictate the market, highly technology upgraded imported Direct Drive Motor washer dryer was launched in 2006. This Direct drive motors are highly reliable, produced less sound and wear and tear are very less. So LG is also providing 7 years warranty on these motors.

Annexure 4.7

Product History – Focus on "Health Air"

1. Started air conditioning production in India in 1998 – Giving simple window and split type air conditioners – attained market leader status in India.

2. Produced Heat Pump – These air conditioners are capable of producing conditioned air around the year both in cold and hot weather – such a machine was generally imported – LG India developed this air conditioner as per India Market needs. By 1999 – retained market leader position.

3. Plasma Filter – in Window & Split AC – By 2000 – through plasma filter technology. This is a feature that provided clean atmosphere – healthy living conditions by cleaning the Indoor air – this helps in maintaining a correct IAQ – Indoor air Quality. LG become No. One market share with 28% MS India.

4. In 2002 LG introduced its CAC range with 3.0 Tr – 5.0 Tr ductable air conditioners / 1.5 Tr to 4.0 Tr cassette type and Roof top units up to 25 Tr capacity and 30 Tr in 2005.

5. 2004 the Ductable range of Air conditioners has come from 3.0 Tr to 16.5 Tr with floor standing Modular Split Packaged air conditioners of 11.0 Tr and 16.5 Tr – Low static units of 2.1 Tr to 5.0 Tr capacity.

6. In 2005 – LG introduced a new range of air conditioners called MPS along with its new range of Multi-V i.e., VRF technology. The MPS is a Multi Split using a single piping circuit for connecting multiple number of IDU to a single ODU with individual control for each IDU.

   Multi-V is a technology that helps the IDUs to set its own capacity (up to 130% of the rated capacity) with respect to the varying load in the area.

Annexure 4.8

Product History – Refrigerators

1. LG started Refrigerator Business in India in the year 1997, Launched First Direct Cool Refrigerator with EMS production (Models were GR 171, GR 211, GR 251).
2. As India was one of the fastest developing Country in Asia, and the buying capacity of people were increased, so need of FF models launch was felt for high end customers, LG launched FF CBU models capacity from 240L to 500L in year 1998.
3. In the year 2001, LG establish in India with full enthusiasm and establish Refrigerator line in Noida. On July 2001, first FF Ref launched in India with LGEIL production with GR 282, GR 312 models.
4. In the year 2002, K projects launched with GR 232, GR 252 variant models.
5. In the year 2003, Ref second line was set up. LG launches IBDC (Ice beam door cooling) feature in IL-Pit. In December First DC production starts with two models GR 181 & GR 201.
6. As the Ref demand was increasing tremendously for domestic market as well as for Export market, so LG established Ref production line in Pune. In Jan 2004, LG introduces new door in K & IL Project, also new metallic color was introduced in DC. In July 2004 LG started SFF production (Model GLF 191, GL 231, GL 261).
7. In the year 2005, LG launched Dash Project Model GL 362, GL 402. In March 2005, IBDC concept was introduced in GL 242, GL 262, In Sep 2005, Micom model was launched.
8. In the year 2006, LG launched Intello-cool products. With new diamond cut door and Leo handle in GL 242, GL 262, GL 292 & GL 322.

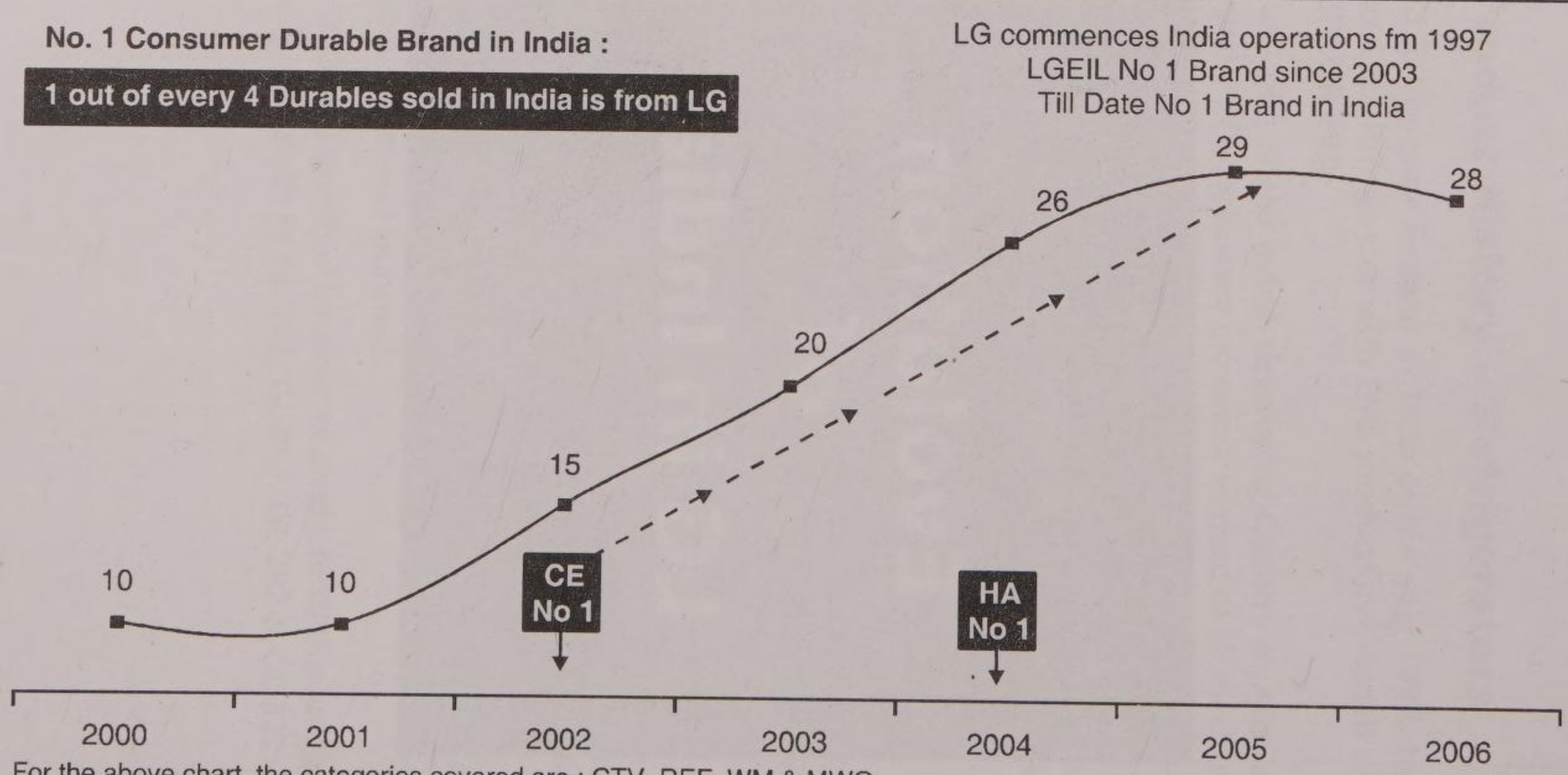
Annexure 4.9

Evolution of LG in India

LG – No. 1 Brand in India

No. 1 Consumer Durable Brand in India :

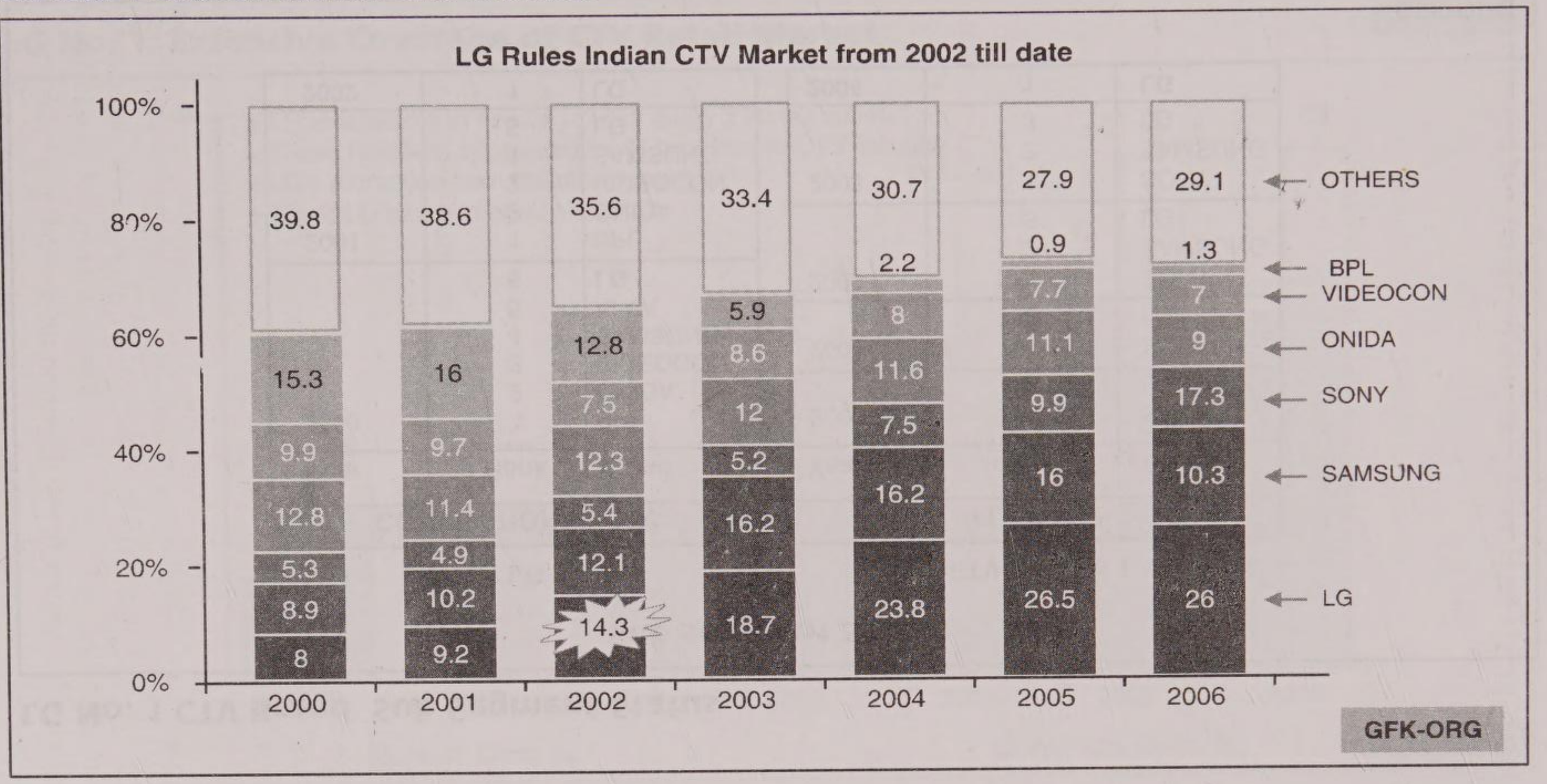
1 out of every 4 Durables sold in India is from LG



For the above chart, the categories covered are : CTV, REF, WM & MWO.
For all charts in this annexure, figures for 2006 are for the period Jan-Sep '06

GFK-ORG

LG No. 1 Brand: Indian CTV Market



LG No. 1 CTV Brand Sub Segment Status

Sub segment Status

NTV : LG No 1

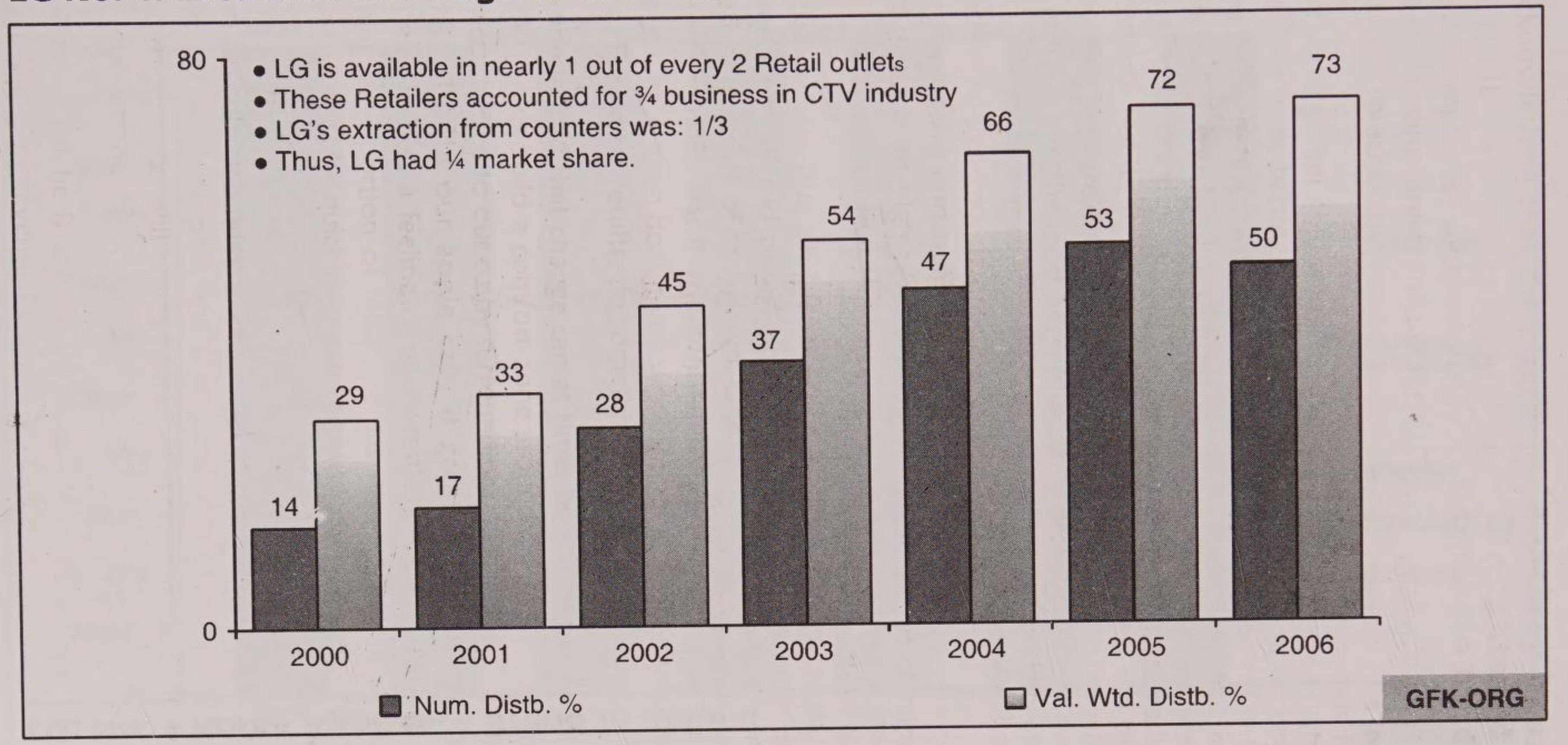
CONVENTIONAL CTV		
Year	Rank	Brand
2000	1 2 3 4 5 **6**	BPL ONIDA VIDEOCON SAMSUNG AIWA **LG**
2001	1 2 3 4 **5**	BPL ONIDA VIDEOCON SAMSUNG **LG**
2002	**1**	**LG**

FTV : LG No 1

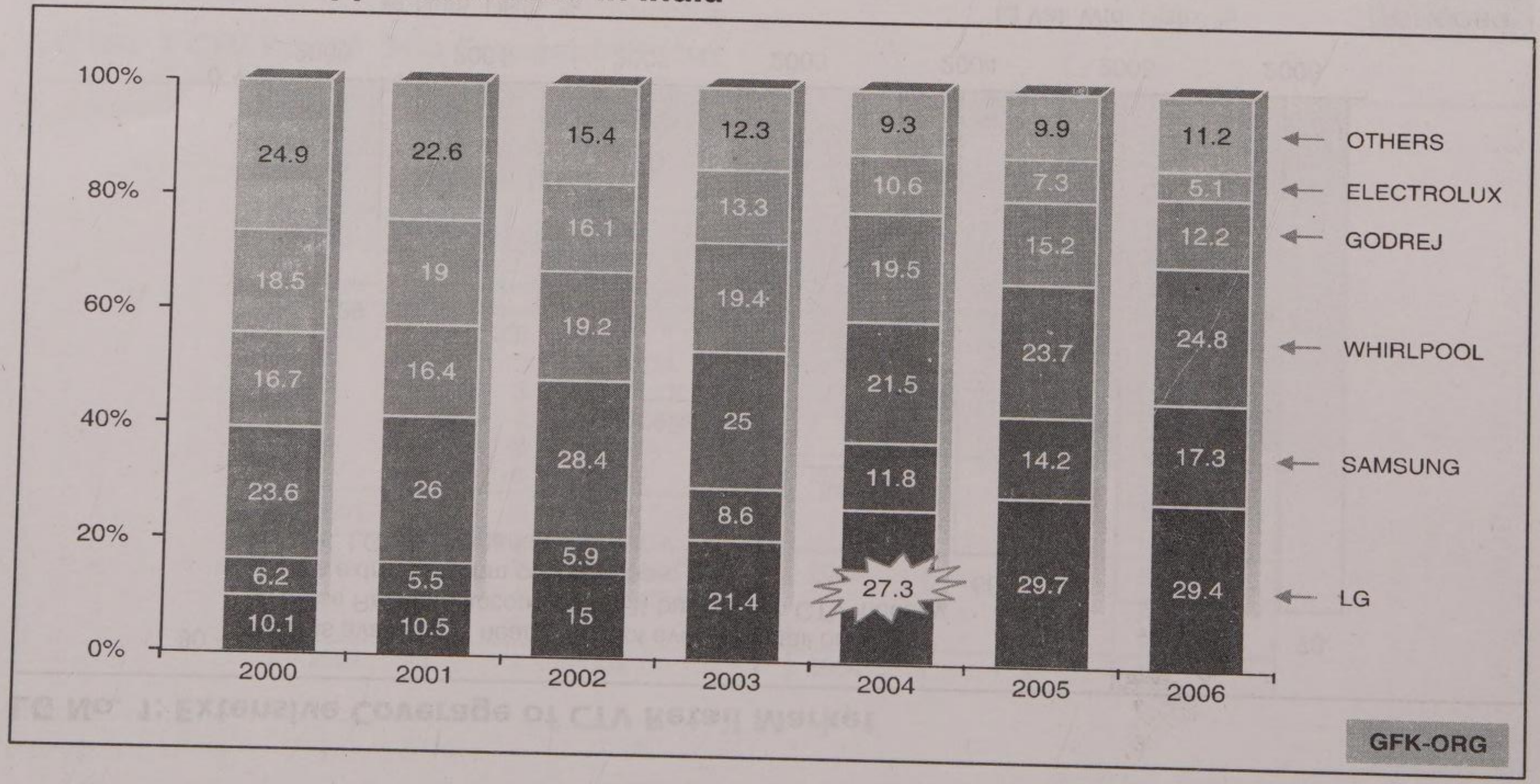
FLAT CTV		
Year	Rank	Brand
2000	1 2	SONY LG
2001	1 2	SONY LG
2002	1 2 3	SONY SAMSUNG LG
2003	1 2 3	SONY SAMSUNG LG
2004	**1**	**LG**

GFK-ORG

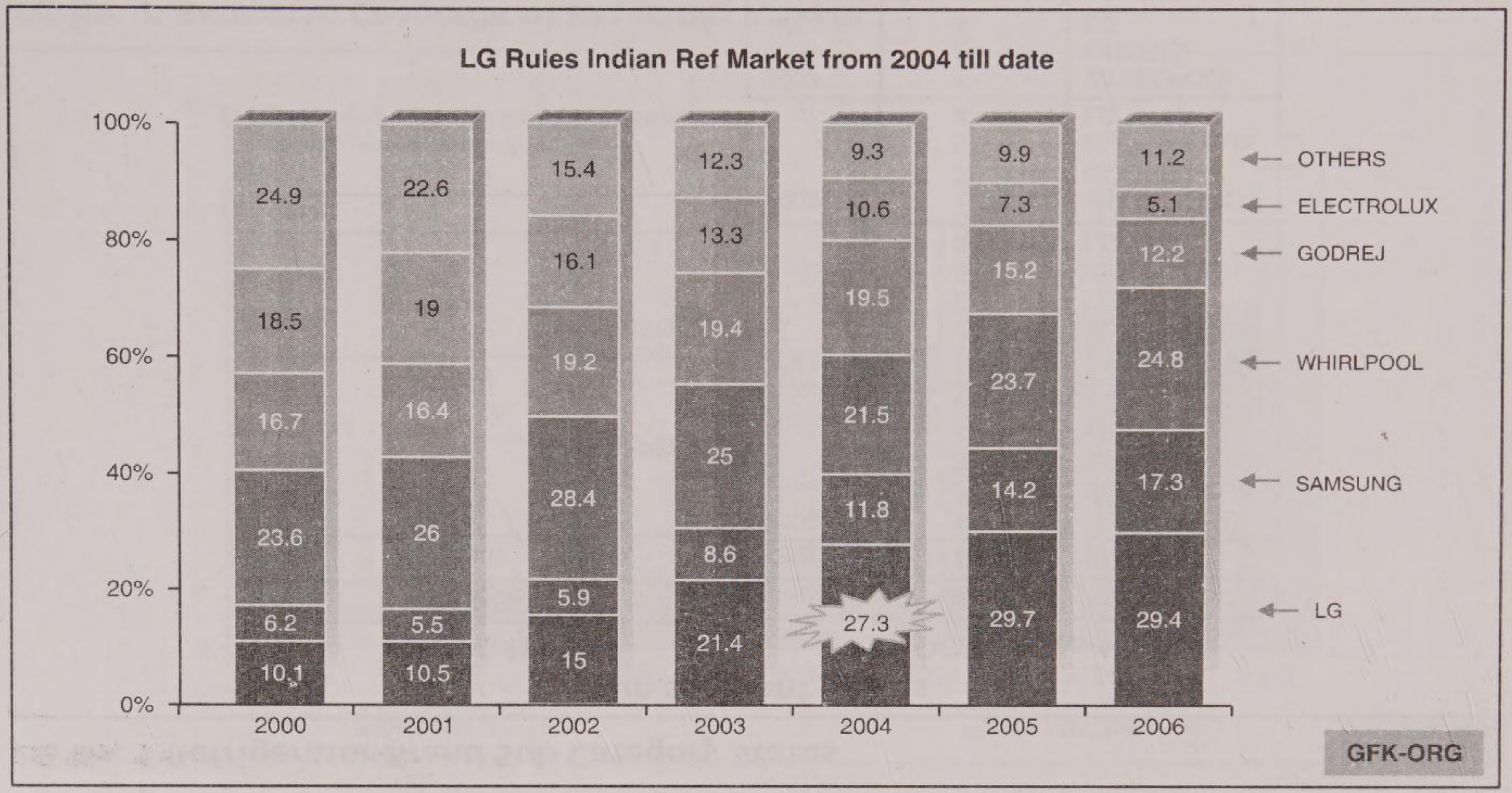
LG No. 1: Extensive Coverage of CTV Retail Market



LG: No. 1 Home Appliance Brand in India



LG No. 1 Brand: Indian Refrigerator Market



LG No. 1 Refrigerator Brand Sub Category Status

Sub segment Status

FF : LG No 1

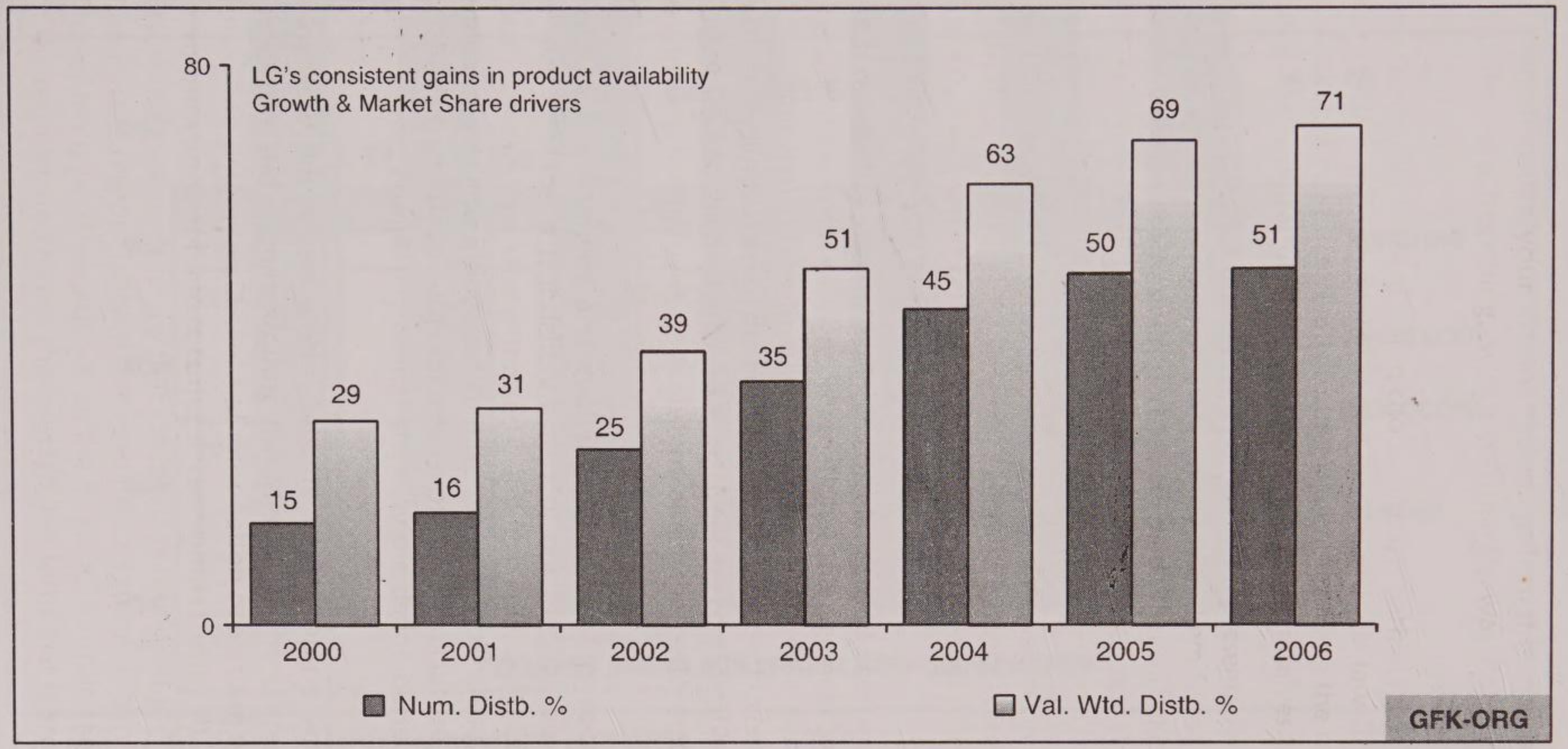
FF REF		
Year	**Rank**	**Brand**
2000	1	BPL
	2	WHIRLPOOL
	3	LG
2001	1	WHIRLPOOL
	2	LG
2002	**1**	**LG**

DC : LG No 1

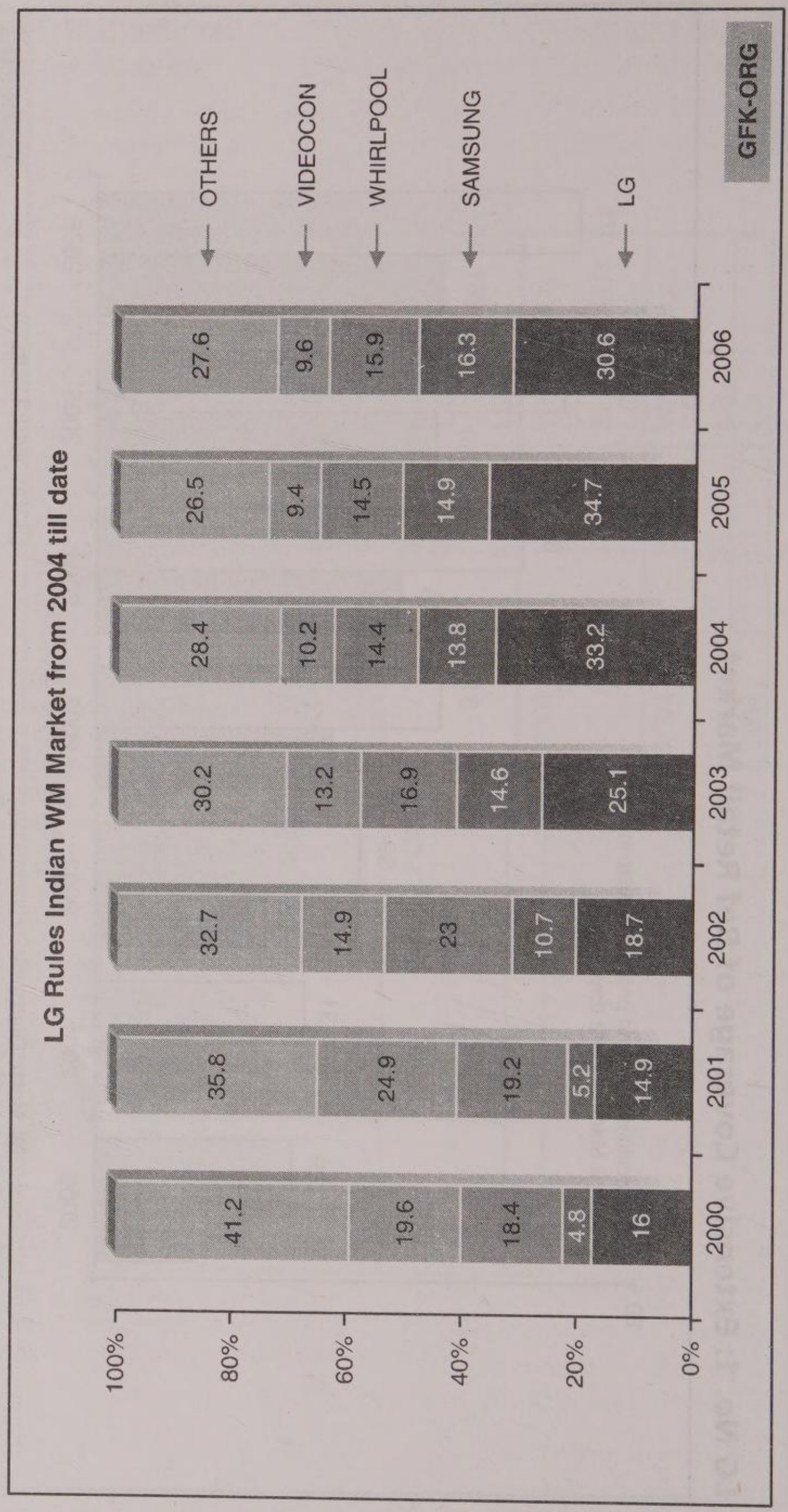
DC REF		
Year	**Rank**	**Brand**
2000	1	WHIRLPOOL
	2	ELECTROLUX
	3	GODREJ
	4	VIDEOCON
	5	**LG**
2001	1	WHIRLPOOL
	2	ELECTROLUX
	3	GODREJ
	4	VIDEOCON
	5	**LG**
2002	1	WHIRLPOOL
	2	GODREJ
	3	ELECTROLUX
	4	**LG**
2003	1	WHIRLPOOL
	2	GODREJ
	3	**LG**
2004	**1**	**LG**

GFK-ORG

LG No. 1: Extensive Coverage of Ref Retail Market



LG No. 1 Brand: Indian Washers Market



LG No. 1 Washers Brand Sub Category Status

Sub segment Status

FA TL : LG No 1

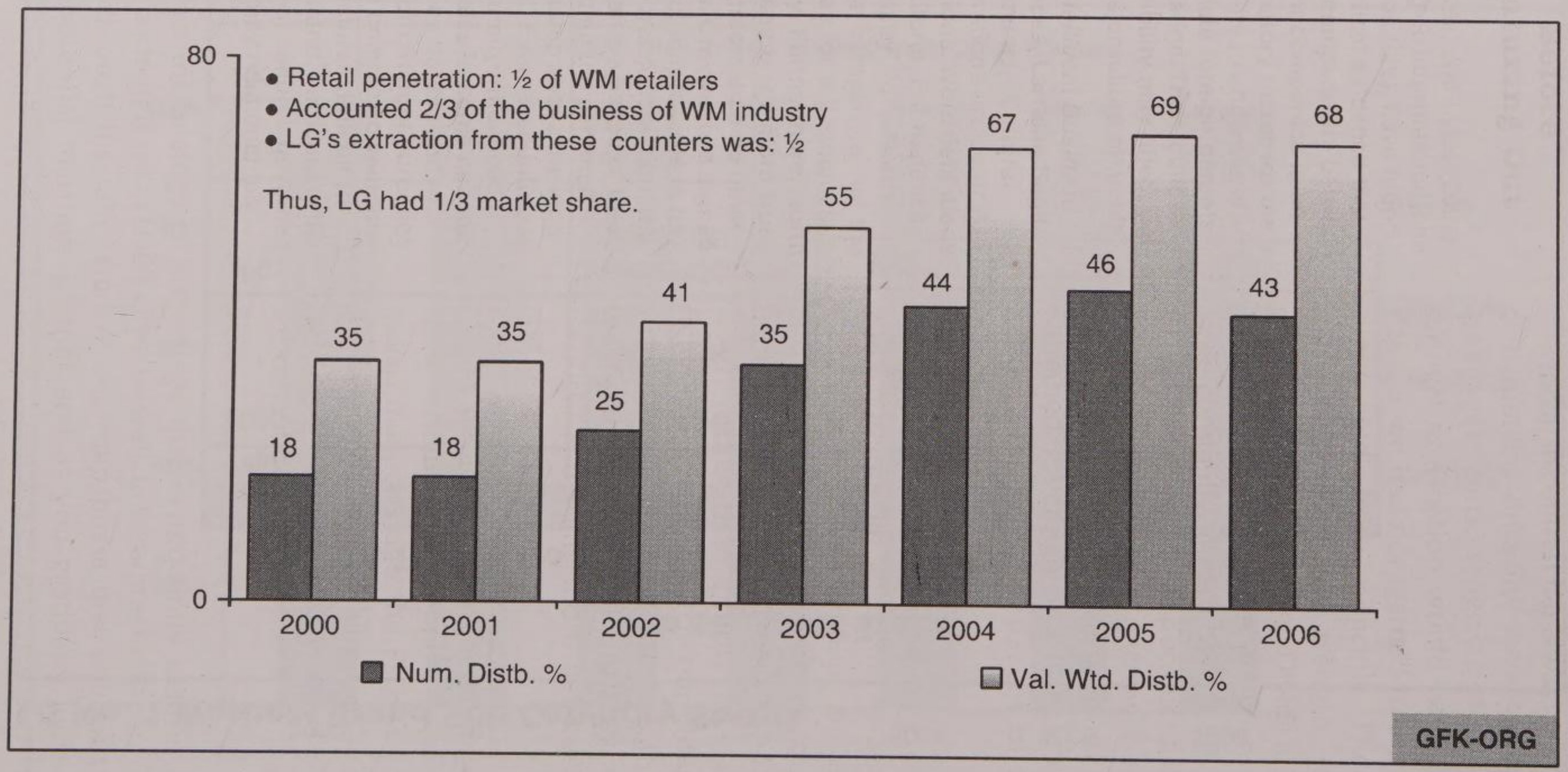
FATL WM		
Year	Rank	Brand
2000	1	WHIRLPOOL
	2	BPL
	3	VIDEOCON
	4	**LG**
2001	1	WHIRLPOOL
	2	VIDEOCON
	3	**LG**
2002	1	WHIRLPOOL
	2	**LG**
2003	1	WHIRLPOOL
	2	**LG**
2004	**1**	**LG**

SA TT : LG No 1

SATT WM		
Year	Rank	Brand
2000	1	VIDEOCON
	2	**LG**
2001	1	VIDEOCON
	2	**LG**
2002	**1**	**LG**

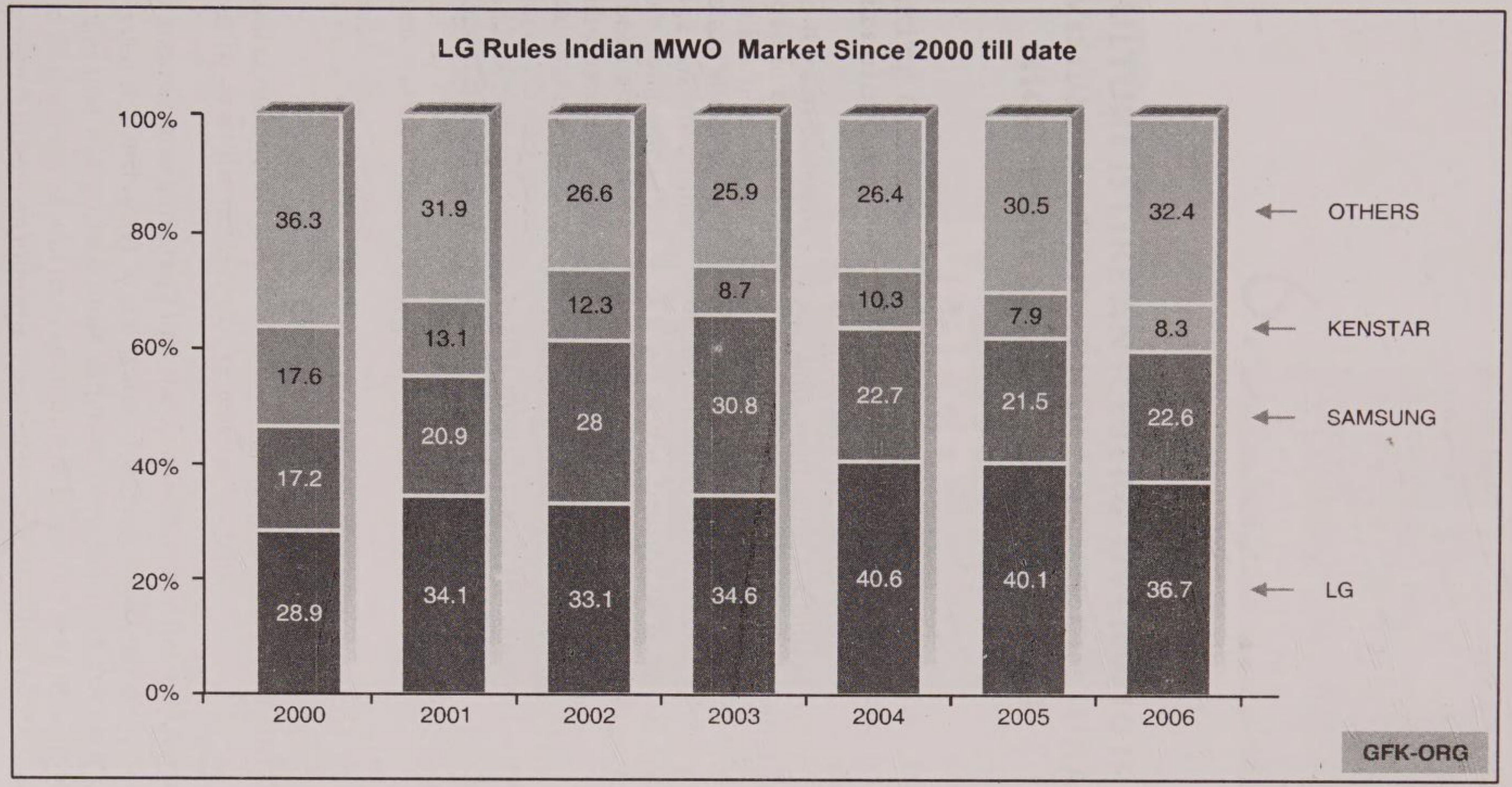
GFK-ORG

LG No. 1: Extensive Coverage of WM Retail Market



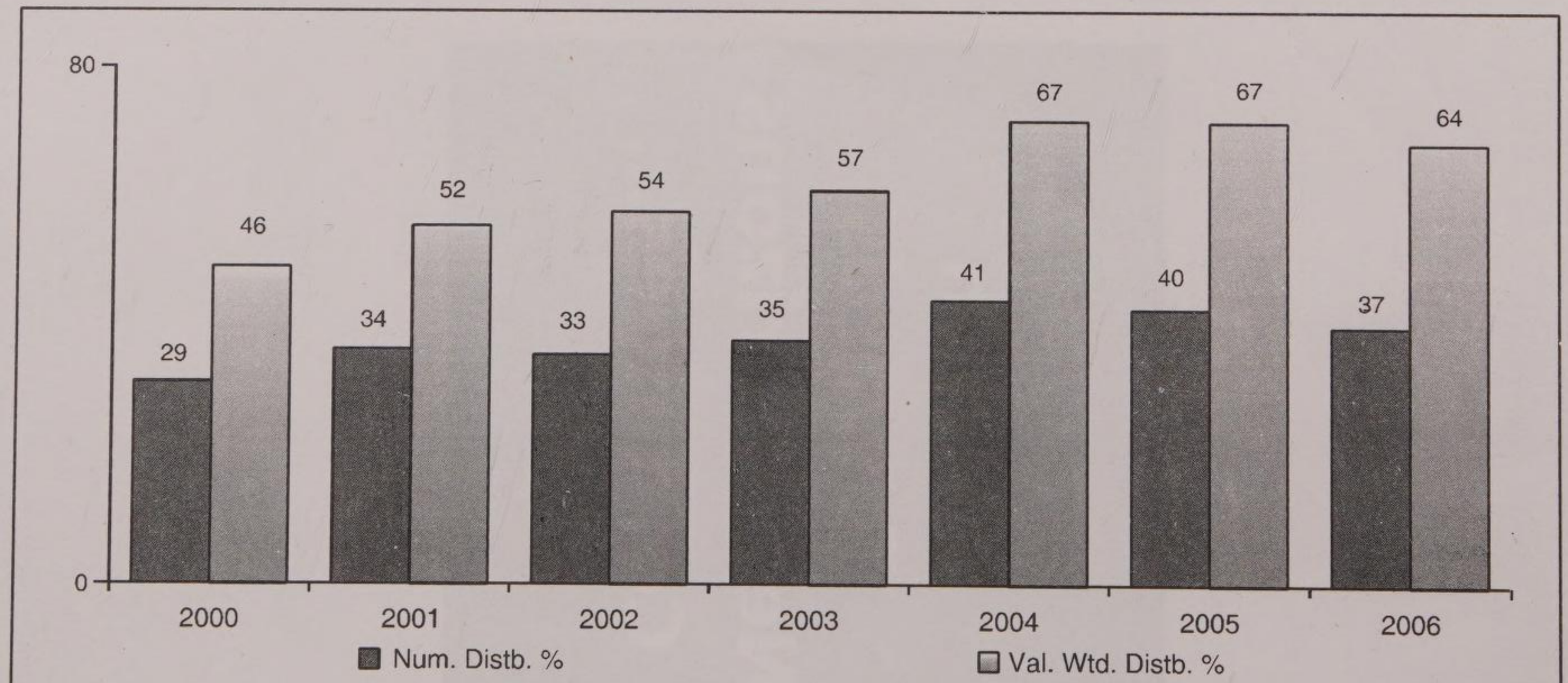
GFK-ORG

LG No. 1 Brand : Indian MWO Market



March Towards New Horizons Continues...

MWO ....



MWO is the categroy, in which LG holders maximum market share.

GFK-ORG

Bibliography

- Korea's LG, *Will be the next Samsung?* Business Week Online, January, 24, 2005
- David Stauffer, 2001, *D2D (Dinosaur to Dynamo): How 20 Established Companies Are Winning in the New Economy*, Capstone
- Re-engineering: the LG-Way, *Business Today*, http://india-today.com/btoday/netexcl/netex2107/ranju-lg.htm
- *LG planning e-training for staff, vendors, The Times of India*, February 10, 2001
- *The Next Industrial Giant Is ... India? The New York Times*, August 31, 2006
- *Premium marketing to the masses*, Mckinsey & Co
- *LG Group: Leaping to the Future*, A London Business School Case Study, December 1996
- *LG's Unstoppable March into India, Courtesy Kim, The Economic Times*, 2, September, 2006
- Benjamin Franklin, 1983, *Poor Richard's Almanac*, Peter Pauper Press
- Thomas L. Friedman, 2005, *The World is Flat*, Farrar, Straus, Reese, and Giroux
- *How LG bridges communication gap between HQ and branches*, The Financial Express, December 11, 1997
- Harvey MacKay, 1996, *Swim with the Sharks*, Ballantine Books; Reissue edition
- http://www.blueoceanstrategy.com/
- www.geert-hofstede.com/geert_hofstede_resources.shtml
- American Psychiatric Association (APA) http://www.apa.org/
- Kraft, Charles H. 1979. *Christianity in Culture*. Maryknoll, New York: Orbis
- McMath, Thom Forbes, 1998, *What Were They Thinking? Marketing Lessons I've Learned from Over 80,000 Market Innovations and Idiocies*, Red River Press

- Doug Hall, 2001, *Jump Start Your Business Brain*, Brain Brew Books
- Loren Gary, *Improving New Products' Success Rates*, Harvard Management Update, November 2001
- Fabian D'Souza, *Putting Real Options to Work to Improve Project Planning*, Harvard Management Update, August 2002
- Johanson, J., & J.E., Vahlne, 1977, *The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitments*, Journal of International Business Studies, 8 (Spring/Summer) 22-32
- Lyles, M.A. and J.E. Salk, 1996. *Knowledge acquisition for foreign parents in international joint ventures, an empirical examination in the Hungarian contest.* Journal of International Business Studies, 27 (5): 877-903
- Larraine Segil, 1966, *Intelligent Business Alliances*, Times Books
- Adler, N.J., & Bartholomew, S. 1992. *Managing globally competent people.* Academy of Management Executive, 6: 52-65
- Walter A. Wright ,*Cultural Issues in Mediation: Individualist and Collectivist Paradigms*, http://www.mediate.com/articles/Wright.cfm
- Joel Cutcher-Gershenfeld and Thomas A. Kochan, 1997, *Dispute Resolution and Team-Based Work Systems*, Workplace Dispute Resolution, Edited by Sandra Gleason, Michigan State University Press
- Hofstede, G., 1991, *Cultures and Organizations*, McGraw-Hill, Maidenhead
- Jay Rothman. 1997, *Resolving Identity-Based Conflict: In Nations, Organizations, and Communities*, San Francisco: Jossey-Bass Publishers
- John Ford, Cross Cultural Conflict Resolution in Teams, Media.com, October 2001, http://www.mediate.com/articles/ford5.cfm
- Lewin, D., 1993, *Conflict resolution and management in contemporary organizations: theoretical perspectives and empirical evidence*, Research in the Sociology of Organizations, Vol. 12 pp.167-209.
- *Some Guidelines for Mediators of Intercultural Disputes*, Jan Sunoo, Negotiation Journal, October 1990.
- Stephen McKenna, *The business impact of management attitudes towards dealing with conflict a cross-cultural assessment*, Journal of Managerial Psychology, Volume 10 Number 7 1995 pp. 22-27

- Ina Corinne Brown, 1963, Understanding Other Cultures, Englewood Cliffs, N.J.: Prentice-Hall, p. 5, 140
- LaNette W. Thompson, *Cognitive Schemata and Communicating the Message*, The Strategy Network, 2004 URL: http://www.newwway.org/strategy_network/cognitve.htm
- Murphy, E., & M. Murphy, 2002, *Leading on the edge of chaos*, Paramus, NJ: Prentice Hall Press
- Jim Collins, 2001, *Good to Great: Why Some Companies Make the Leap... and Others Don't*, Harper Collins
- What is Locus of Control, www.wilderdom.com/psychology/loc/LocusOfControlWhatIs.html
- Kenny Yap, Wikipedia, http://en.wikipedia.org/wiki/Kenny_Yap
- *Newsmaker: Moving Mountains at LG*, CNET News.com, December 9, 2004
- *LG: 1=4*, Express Computer, Vol. 12, No. 14, June 11, 2001
- *How Korea Conquered India*, *Fortune*, April 19, 2004
- *Turning Up the Local Volume*, *Financial Times*, June 23, 2004
- *How LG became No 1*, www.rediff.com, April 05, 2005
- *We were never tentative*, *Pitch*, October 2006
- *Master of the Game*, *Economic Times*, January 12-18, 2001
- *LG No.1*, *Business India*, July 5-18, 2004
- *LG in India*, *Business India*, July 5-18, 2004
- Beyond the Price Event Horizon, *The Economic Times*, 9-15 July, 1999
- *Six Sigma to Save Rs 20 cr. for LG*, *Business Standard*, May, 2, 2001

ABOUT THE AUTHOR

Dr. Yasho V. Verma is a management philosopher and a management practitioner.

He is currently Director (HR & MS) at LG Electronics India (LGEIL) and has been with the company since its inception in 1997.

Dr. Verma has recently been conferred honorary fellowship by All India Management Association for his contribution to the profession of management and has bagged several awards for excellence in HR area. He is an engineer with a Masters in Personnel Management and Industrial Relations and a Ph.D in organizational behavior from IIT Kharagpur. He started his career with Tata Steel at Jamshedpur, working there for over 12 years.

He was hailed as **Heretic** by ***Business Today*** and Gallup and featured on the cover of ***Business Today*** in 1999. He has addressed top management teams of many premier companies in India and abroad, and is frequently sounded by print and electronic media as a spokesperson for HR discipline for consumer durables industry in specific and HR profession in general.

Dr. Verma has visited reputed foreign institutions for guest lectures. He has also been a speaker at premier management and technical institutes in India. He is editorial consultant of *SIS (Somatic Inkblot Society) Journal of Projective Psychology and Mental Health,* Anchorage, USA.

Life's Good

LG

PASSION:

The Untold Story of
LG Electronics India

EMINENT READERS WRITE...

"LG's success reflects the fact that they understood the Indian consumer and delivered value. A fine blend of good quality, contemporary design & a differentiated positioning helped build LG's distribution & brand in a short period of time."

Mr. Rajan Bharti Mittal, Joint Managing Director, Bharti Enterprises

---

LGEIL success is a combination of great timing, great vision of Mr. K.R. Kim & great employees.

Mr. V.N. Dhoot, Chairman and Managing Director, Videocon Group of Industries

---

"It is a very useful book, with factual content and a lively style. It will certainly help companies, Indian as well as foreign, understand what it takes to tackle the Indian market successfully.

Mr. Luc de Brabandere, Partner, The Boston Consulting Group, France
and author of bestselling book, *The Forgotten Half of Change*

The book reflects the author's in-depth insight into the processes and strategies involved in the journey of architecting organizations…The book is so absorbing that you can finish reading it in one go…The book is of great value to corporate leaders, academia and others engaged in the business of institution building. I highly recommend it.

Dr. Pritam Singh, Professor of Eminence, MDI Gurgaon,
Former Director, Indian Institute of Management - Lucknow (IIM-L)

LG Electronics when it first came to India, was an unknown company to Indians. The Indians had no clue of this Korean *chaebol* and the Koreans had no clue about India, its culture and business practices. This book is about the mingling of two cultures to build a highly successful operation in India.

Mr. Frank Hancock, Managing Director, ABN AMRO Asia Corporate Finance (India)

Published by

biztantra
MANAGEMENT FOR THE FLAT WORLD

19-A, Ansari Road, Daryaganj,
New Delhi-110 002.
Tel.: 91-11-41563722, 23284212, 23243075
Fax: 91-11-23243078
Email : info@biztantra.in
Website: www.biztantra.in

ISBN (10) : 81-7722-853-6
(13) : 978-81-7722-853-3

9 788177 228533

Exclusively Distributed by

UBSPD
UBS Publishers' Distributors Pvt. Ltd.
5, Ansari Road, Darya Ganj, New Delhi - 2 (India)
Ph. : 91-11-23273601-04 Fax : 91-11-23276593
E-Mail: ubspd@ubspd.com